

**Sankaty High Yield
Partners II, L.P.
Financial Statements
December 31, 2009 and 2008
(in Liquidation)**

Report of Independent Auditors

To the Partners of Sankaty High Yield Partners II, L.P.

In our opinion, the accompanying statements of net assets (in liquidation), including the schedules of investments (in liquidation) at December 31, 2009 and 2008, and the related statements of operations (in liquidation), changes in net assets (in liquidation) and of cash flows (in liquidation) present fairly, in all material respects, the financial position of Sankaty High Yield Partners II, L.P. (the "Partnership") at December 31, 2009 and 2008, and the results of its operations, changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the General Partner. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the General Partner, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the Partnership violated certain covenants of its Notes Payable Indenture on October 8, 2008, which accelerated the principal payment of the Notes. As a result, the Partnership has changed its basis of accounting for the years ended December 31, 2009 and 2008 from the going-concern basis to a liquidation basis.

PricewaterhouseCoopers LLP

March 16, 2010

Sankaty High Yield Partners II, L.P.
Statements of Net Assets (in Liquidation)
December 31, 2009 and 2008

| | 2009 | 2008 |
|---|---------------------|------------------------|
| Assets | | |
| Investments, at fair value (cost \$261,662,212 and \$520,998,850) | \$ 200,005,766 | \$ 316,460,309 |
| Cash and cash equivalents | 14,938,960 | 6,429,430 |
| Interest and dividends receivable | 1,755,100 | 4,464,929 |
| Receivable for investments sold | 2,253,450 | 3,502,022 |
| Receivable for principal paydowns | - | 915 |
| Other assets | 29,965 | 92,030 |
| Total assets | 218,983,241 | 330,949,635 |
| Liabilities | | |
| Notes payable | \$ 213,663,508 | \$ 391,820,371 |
| Senior Facility | - | 10,000,246 |
| Distribution payable | 10,017 | 69,256 |
| Payable for investments purchased | - | 51,085 |
| Interest payable | 956,021 | 1,417,850 |
| Interest Rate Swap payable | 2,617,911 | - |
| Accrued expenses and other liabilities | 2,301,199 | 2,381,380 |
| Total liabilities | 219,548,656 | 405,740,188 |
| Net Assets | \$ (565,415) | \$ (74,790,553) |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Statements of Operations (in Liquidation)
For the Years Ended December 31, 2009 and 2008

| | 2009 | 2008 |
|---|----------------------|-------------------------|
| Investment Income | | |
| Income: | | |
| Interest (net of withholding tax of \$0, and \$109,750) | \$ 14,139,028 | \$ 46,605,087 |
| Dividends and other income (net of withholding tax of \$0, and \$154,167) | 494,444 | 3,706,079 |
| Total investment income | 14,633,472 | 50,311,166 |
| Expenses: | | |
| Interest | 13,667,035 | 31,065,104 |
| Management fee | - | 8,852,612 |
| Amortization of deferred financing costs | - | 777,263 |
| Professional fees and operating expenses | 2,367,836 | 3,799,881 |
| Commitment Fees | - | 485,226 |
| Total expenses | 16,034,871 | 44,980,086 |
| Net investment income | (1,401,399) | 5,331,080 |
| Net realized and unrealized gains and losses | | |
| Net realized gain (loss) on investments | (65,587,300) | (20,060,970) |
| Net realized gain (loss) on foreign currency transactions | (188,568) | (3,891,840) |
| Net realized gain (loss) on interest rate swap contracts | (2,325,471) | (537,244) |
| Net realized gain (loss) on deferred financing costs | - | (709,304) |
| Net change in unrealized appreciation of investments | 142,882,095 | (216,139,228) |
| Net change in unrealized appreciation from foreign currency translation | 855,798 | 5,315,965 |
| Net change in unrealized appreciation of interest rate swap contracts | - | 1,172,241 |
| Net realized and unrealized gain (loss) | 75,636,554 | (234,850,380) |
| Net increase (decrease) in net assets resulting from operations | \$ 74,235,155 | \$ (229,519,300) |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Statements of Changes in Net Assets (in Liquidation)
For the Years Ended December 31, 2009 and 2008

| | Limited Partners* | General Partner | Unallocated Deficit** | Total |
|---|------------------------------|----------------------------|----------------------------------|---------------------|
| Partners' Capital as of December 31, 2007 | \$ 108,766,432 | \$ 1,364,905 | \$ - | \$ 110,131,337 |
| Contributions | 44,219,999 | 446,667 | - | 44,666,666 |
| Distributions | (69,256) | - | - | (69,256) |
| Management Fee | (8,852,612) | - | - | (8,852,612) |
| Carried Interest | 728,668 | (728,668) | - | - |
| Allocation of net decrease in partners' capital resulting from operations - excluding management fees and net of carried interest | (144,793,231) | (1,082,904) | (74,790,553) | (220,666,688) |
| Partners' Capital as of December 31, 2008 | <u>-</u> | <u>-</u> | <u>(74,790,553)</u> | <u>(74,790,553)</u> |
| Contributions | - | - | - | - |
| Distributions | - | - | (10,017) | (10,017) |
| Management Fee | - | - | - | - |
| Carried Interest | - | - | - | - |
| Allocation of net increase in partners' capital resulting from operations - excluding management fees and net of carried interest | - | - | 74,235,155 | 74,235,155 |
| Partners' Capital as of December 31, 2009 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (565,415)</u> | <u>\$ (565,415)</u> |

* Included in the limited partners' capital account balance as of December 31, 2009 and 2008 is \$0 and \$0, respectively, which relates to limited partners who are members of the Bain Capital Group. The Investment Advisor has waived the management fees with respect to these limited partners for the years ended December 31, 2009 and 2008.

** As of December 31 2009 and 2008, the performance of the partnership resulted in an unallocated deficit of \$565,415 and \$74,790,553, respectively, as recorded above. The limited partners and General Partner have no obligation to make additional contributions for the unallocated deficit upon the liquidation or termination of the Partnership. The unallocated deficit represents the amount of future profits that the Partnership would have to earn before the limited partners would be eligible for additional allocations. Refer to Note 11 for further explanation of the allocations of income and loss.

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Statements of Cash Flows (in Liquidation)
For the Years Ended December 31, 2009 and 2008

| | 2009 | 2008 |
|---|----------------------|----------------------|
| Cash provided by (used for) operating activities: | | |
| Purchases of investments | \$ (6,229,909) | \$ (64,597,853) |
| Proceeds from sales of investments | 174,132,833 | 329,701,481 |
| Proceeds from principal paydowns of investments | 27,233,791 | 54,248,913 |
| | <u>195,136,715</u> | <u>319,352,541</u> |
| Net effects from foreign currency translation | 667,230 | 1,424,125 |
| Net investment income | (1,401,399) | 5,331,080 |
| Adjustments to reconcile net investment income to net cash provided by operating activities: | | |
| Non-cash interest and dividend income | (2,514,446) | (3,404,740) |
| Amortization of deferred financing costs | - | 777,263 |
| Decrease in interest and dividends receivable | 2,709,829 | 4,804,052 |
| (Increase) / Decrease in other assets | 62,065 | (84,865) |
| Decrease in interest payable | (461,829) | (2,495,487) |
| Increase in interest rate swap payable | 2,617,911 | - |
| (Decrease) / Increase in accrued expenses and other liabilities | (80,181) | 2,209,402 |
| | <u>196,735,895</u> | <u>327,913,371</u> |
| Net cash provided by operating activities | | |
| Cash provided by (used for) financing activities: | | |
| Payments of Notes Payable | (189,493,407) | (228,784,119) |
| Payments of Senior Facility | (10,000,246) | (156,846,156) |
| Notes Payable capitalized interest | 11,336,544 | 4,604,490 |
| Partners' capital contributions | - | 44,666,666 |
| Partners' capital distributions | (69,256) | - |
| | <u>(188,226,365)</u> | <u>(336,359,119)</u> |
| Net cash used for financing activities | | |
| Net increase / (decrease) in cash and cash equivalents | 8,509,530 | (8,445,748) |
| Cash and cash equivalents, beginning of period | <u>6,429,430</u> | <u>14,875,178</u> |
| Cash and cash equivalents, end of period | <u>\$ 14,938,960</u> | <u>\$ 6,429,430</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest expense | \$ 2,728,375 | \$ 28,956,101 |
| Cash paid for taxes | \$ - | \$ 263,917 |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Principal** | | | |
|--------------------|--|----|-------------------|
| Amount | Senior Bank Debt (41.3% of Total Investments) | | Fair Value |
| | Aerospace and Defense | | |
| \$ 705,329 | DAE Aviation Holdings, Inc., Tranche B-2 Loan, LIBOR + 3.750%, due 07/31/14 | \$ | 652,429 |
| 722,811 | DAE Aviation Holdings, Inc., Tranche B-1 Loan, LIBOR + 3.750%, due 07/31/14 | | 668,601 |
| | | | <u>1,321,030</u> |
| | Air Transportation | | |
| 27,528 | Delta Air Lines, Inc., Credit- Linked Deposit Loan, LIBOR + 2.000%, due 04/30/12 | | 24,466 |
| 309,683 | Delta Air Lines, Inc., Second Lien Term Loan, LIBOR + 3.250%, due 04/30/14 | | 259,230 |
| 3,700,130 | US Airways Group, Inc., Loan, LIBOR + 2.500%, due 03/21/14 | | 2,517,410 |
| | | | <u>2,801,106</u> |
| | Automotive | | |
| 520,934 | BHM Technologies, LLC, Exit Term Loan, LIBOR + 5.250%, due 09/30/13* | | 19,275 |
| 53,543 | Cooper-Standard Holdings Inc., Dollar Facility Revolving Loan Commitment (CAM), LIBOR + 2.750%, due 12/23/10* | | 52,427 |
| 24,336 | Cooper-Standard Holdings Inc., Dual Borrower Dual Currency Facility Revolving Loan Commitment (CAM), LIBOR + 4.750%, due 12/23/10* | | 23,829 |
| 22,422 | Cooper-Standard Holdings Inc., Multicurrency Facility Revolving Loan Commitment (CAM), LIBOR + 2.500%, due 12/23/11* | | 21,955 |
| 19,163 | Cooper-Standard Holdings Inc., Tranche A Term Loan, LIBOR + 4.500%, due 12/23/10* | | 18,764 |
| 58,433 | Cooper-Standard Holdings Inc., Tranche B Term Loan, LIBOR + 4.500%, due 12/23/11* | | 57,216 |
| 145,963 | Cooper-Standard Holdings Inc., Tranche C Term Loan, LIBOR + 2.500%, due 12/23/11* | | 143,774 |
| 162,253 | Cooper-Standard Holdings Inc., Tranche D Term Loan, LIBOR + 3.500%, due 12/23/11* | | 158,873 |
| 80,523 | Cooper-Standard Holdings Inc., Tranche E Term Loan, LIBOR + 2.500%, due 12/23/11* | | 78,846 |
| 652,893 | FleetPride Corporation, Term Loan, LIBOR + 2.500%, due 06/06/13 | | 558,223 |
| 2,630,442 | Key Safety Systems, Inc., Term Loan, LIBOR + 2.250%, due 03/08/14 | | 1,953,103 |
| | | | <u>3,086,285</u> |
| | Broadcast Radio and Television | | |
| 521,164 | Bonten Media Group Holdings, Inc., Initial Term Loan, LIBOR + 2.500%, due 05/31/14 | | 377,844 |
| 640,685 | Bonten Media Group Holdings, Inc., Additional Term Loan, LIBOR + 2.500%, due 05/31/14 | | 464,496 |
| 4,674,374 | Citadel Broadcasting Corporation, Tranche B Term Loan, LIBOR + 1.750%, due 06/12/14* | | 3,500,910 |
| 586,496 | Sunshine Acquisition Limited, Term Advance, LIBOR + 2.250%, due 03/20/12 | | 505,853 |
| | | | <u>4,849,103</u> |
| | Building and Development | | |
| 55,246 | Financière Daunou 9 S.à.r.l, Purchaser Loan, 5.000%, due 10/16/17 | | 59,051 |
| 170,319 | Financière Daunou 9 S.à.r.l, Term Loan, LIBOR + 2.125%, due 10/16/17 | | 127,169 |
| | | | <u>186,220</u> |
| | Business Equipment and Services | | |
| 811,581 | Sitel, LLC, ClientLogic Holding Limited, U.S. Term Loan, LIBOR + 5.500%, due 01/30/14 | | 710,133 |
| | Cable Television | | |
| 1,018,373 | WideOpenWest Finance, LLC, Loan, LIBOR + 7.000%, due 06/29/15 | | 847,795 |
| 6,093,153 | WideOpenWest Finance, LLC, Term Loan, LIBOR + 2.500%, due 06/30/14 | | 5,631,091 |
| | | | <u>6,478,886</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Principal** | | | |
|--------------------|---|----|-------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| | Chemical/Plastics | | |
| \$ 3,340,000 | Brenntag Holding GmbH & Co. KG, Facility 2 Loan, LIBOR + 4.000%, due 07/17/15 | \$ | 3,264,850 |
| 685,614 | Cognis Deutschland GmbH & Co. KG, Facility C, LIBOR + 2.000%, due 09/15/13 | | 641,049 |
| 1,175,669 | Cristal Inorganic Chemicals US, Inc., Loan, LIBOR + 5.750%, due 11/15/14 | | 946,414 |
| 5,919,228 | Hexion Specialty Chemicals, Inc., Tranche C-1 Term Loan, LIBOR + 2.250%, due 05/05/13 | | 5,179,325 |
| 1,282,502 | Hexion Specialty Chemicals, Inc., Tranche C-2 Term Loan, LIBOR + 2.250%, due 05/05/13 | | 1,122,190 |
| 2,481,655 | Hexion Specialty Chemicals, Inc., Tranche C-4 Initial Term Loan, LIBOR + 2.250%, due 05/05/13 | | 2,112,508 |
| 613,354 | Ineos Group Limited, Term B2 Facility, LIBOR + 4.500%, due 12/16/13 | | 557,386 |
| 613,354 | Ineos Group Limited, Term C2 Facility, LIBOR + 5.000%, due 12/16/14 | | 557,386 |
| | | | <u>14,381,108</u> |
| | Conglomerates | | |
| 284,853 | LN Acquisition Corp. Initial Term Loan, LIBOR + 5.750%, due 01/09/15 | | <u>225,034</u> |
| | Electronic/Electric | | |
| 650,899 | FCI International S.A.S., Facility B1, LIBOR + 3.375%, due 11/01/13 | | 603,709 |
| 393,224 | FCI International S.A.S., Facility B2a, LIBOR + 3.375%, due 11/01/13 | | 364,715 |
| 378,565 | FCI International S.A.S., Facility B2b, LIBOR + 3.375%, due 11/01/13 | | 351,119 |
| 1,327,761 | FCI International S.A.S., Facility B3a, LIBOR + 3.375%, due 11/01/13 | | 1,231,499 |
| 471,849 | FCI International S.A.S., Facility B3c, LIBOR + 3.375%, due 11/01/13 | | 437,640 |
| 2,212,936 | FCI International S.A.S., Facility B4a, LIBOR + 3.375%, due 11/04/13 | | 2,052,498 |
| 454,260 | FCI International S.A.S., Facility B4b, LIBOR + 3.375%, due 11/01/13 | | 421,326 |
| 781,046 | FCI International S.A.S., Facility B5b, LIBOR + 3.375%, due 11/02/14 | | 724,421 |
| 1,236,910 | Ridgefield Acquisition SÀRL, Facility B3, LIBOR + 2.000%, due 03/30/15 | | 1,026,635 |
| 1,236,910 | Ridgefield Acquisition SÀRL, Facility C3, LIBOR + 2.500%, due 03/28/16 | | 1,026,635 |
| 1,135,116 | Sensata Technologies B.V., Euro Term Loan, EURIBOR + 2.000%, due 04/27/13 (a) | | 1,454,375 |
| 6,823,717 | Sensata Technologies B.V., US Term Loan, LIBOR + 1.750%, due 04/27/13 | | 6,090,167 |
| | | | <u>15,784,739</u> |
| | Equipment Leasing | | |
| 1,047,385 | NES Rentals Holdings, Inc., Permanent Term Loan, LIBOR + 6.750%, due 07/20/13 | | <u>756,736</u> |
| | Financial Intermediaries | | |
| 2,021,874 | iPayment, Inc., Term Loan, LIBOR + 2.000%, due 05/10/13 | | <u>1,865,179</u> |
| | Food Products | | |
| 2,005,184 | Atkins Nutritionals, Inc., Term Loan, LIBOR + 4.750%, due 09/14/12 | | <u>1,941,018</u> |
| | Food Services | | |
| 403,890 | Awesome Acquisition Company, Term Loan, LIBOR + 5.000%, due 06/04/14 | | 319,073 |
| 153,665 | Buffets, Inc., PF L/C Commitment, LIBOR + 7.250%, due 05/01/13 | | 137,533 |
| 937,953 | Buffets, Inc., Term Loan, First Lien, LIBOR + 15.000%, due 04/30/12 | | 957,884 |
| 755,043 | Buffets, Inc., Term Loan, Second Lien, LIBOR + 17.500%, due 05/01/13 | | 675,764 |
| 273,926 | CTI Foods Holdings Co., LLC, Second Lien Term Loan, LIBOR + 5.000%, due 06/18/14 | | 232,837 |
| | | | <u>2,323,091</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Principal** | | |
|--------------------|--|-------------------|
| Amount | Senior Bank Debt (continued) | Fair Value |
| | Healthcare | |
| \$ 480,104 | Carl Zeiss Vision Holding GmbH, Term B2 Facility, LIBOR + 2.500%, due 07/24/15 | \$ 365,839 |
| 1,196,916 | Concentra Inc., Loan, LIBOR + 5.500%, due 06/25/15 | 993,440 |
| 223,021 | CRC Health Group, Inc., Senior Unsecured, LIBOR + 8.000%, due 11/17/13 | 155,139 |
| | | <u>1,514,418</u> |
| | Hotels/Motel/Inns and Casinos | |
| 610,626 | Las Vegas Sands, LLC, Delayed Draw I Term Loan, LIBOR + 1.750%, due 05/23/14 | 536,478 |
| 2,417,706 | Las Vegas Sands, LLC, Tranche B Term Loan, LIBOR + 1.750%, due 05/23/14 | 2,124,127 |
| | | <u>2,660,605</u> |
| | Industrial Equipment | |
| 528,065 | NACCO Materials Handling Group, Inc., Loan, LIBOR + 2.000%, due 03/21/13 | 427,732 |
| 43,498 | WHA Holding, Term C2 Facility, EURIBOR + 2.625%, due 07/29/14 (a) | 38,452 |
| 59,941 | WHA Holding, Term B4 Facility, EURIBOR + 2.125%, due 07/29/13 (a) | 52,988 |
| 59,941 | WHA Holding, Term C4 Facility, EURIBOR + 2.625%, due 07/29/14 (a) | 52,988 |
| 67,937 | WHA Holding, Term B2 Facility, EURIBOR + 2.125%, due 07/29/13 (a) | 60,056 |
| 508,611 | WHA Holding, Term B1 Facility, EURIBOR + 2.125%, due 07/29/13 (a) | 449,610 |
| 508,611 | WHA Holding, Term C1 Facility, EURIBOR + 2.625%, due 07/29/14 (a) | 449,610 |
| | | <u>1,531,436</u> |
| | Insurance | |
| 429,540 | USI Holdings Corporation, Tranche B Term Loan, LIBOR + 2.750%, due 05/05/14 | 383,364 |
| | Leisure | |
| 425,964 | 24 Hour Fitness Worldwide, Inc., Tranche B Term Loan, LIBOR + 2.500%, due 06/08/12 | 398,809 |
| 2,610,560 | Hicks Sports Group LLC, Term Loan, LIBOR + 4.500%, due 12/22/10* | 2,186,344 |
| 445,350 | Oceania Cruises, Inc., Loan, LIBOR + 5.750%, due 04/27/14 | 331,786 |
| 1,299,359 | Oceania Cruises, Inc., Term B Loan, LIBOR + 2.250%, due 04/27/13 | 1,097,958 |
| - | Town Sports International, LLC, Revolving Loan, LIBOR + 1.250%, due 02/27/12 | (90,533) |
| 2,668,045 | Town Sports International, LLC, Initial Term Loan, LIBOR + 1.750%, due 02/27/14 | 2,454,601 |
| | | <u>6,378,965</u> |
| | Nonferrous Metals/Minerals | |
| 321,170 | JW Aluminum Company, Term Loan, LIBOR + 6.750%, due 12/16/13 | 162,994 |
| | Oil and Gas | |
| 1,355,993 | Crimson Exploration Inc., Term Loan, LIBOR + 8.000%, due 05/08/12 | 1,069,539 |
| 706,532 | Delphi Acquisition Holding I B.V., Facility B1, LIBOR + 1.750%, due 01/12/15 | 683,217 |
| 592,221 | Delphi Acquisition Holding I B.V., Facility C1, LIBOR + 2.625%, due 01/11/16 | 572,677 |
| 221,159 | Delphi Acquisition Holding I B.V., Facility D1, LIBOR + 4.500%, due 07/11/16 | 207,060 |
| 1,270,393 | Frontier Drilling USA, Inc., Term B Advance, LIBOR + 6.000%, due 06/21/13 | 1,173,525 |
| 224,148 | SemCrude, L.P., 2nd Lien, LIBOR + 9.000%, due 11/30/12 | 214,252 |
| 280,749 | TARH E&P Holdings, L.P., First Lien Second Out, LIBOR + 7.000%, due 06/29/12* | 280,749 |
| 108,906 | TARH E&P Holdings, L.P., Second Lien, LIBOR + 13.890%, due 06/29/12* | 94,748 |
| | | <u>4,295,767</u> |

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Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Principal** | | | |
|--------------------|---|----|--------------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| | Publishing | | |
| \$ 52,211 | American Media Operations Inc., Deferred Fee Facility, LIBOR + 6.500%, due 01/30/13 | \$ | 48,670 |
| 1,851,160 | American Media Operations Inc., Term Loan, LIBOR + 6.500%, due 01/30/13 | | 1,725,629 |
| 627,198 | Flint Group Holdings S.à.r.l., Tranche B9 Term Facility, LIBOR + 2.250%, due 12/31/14 | | 584,340 |
| 4,551,853 | SuperMedia, Inc., Eurodollar Loan, LIBOR + 8.000%, due 12/31/15 | | 4,585,505 |
| | | | <u>6,944,144</u> |
| | Telecommunications/Cellular communications | | |
| 1,675,878 | FleetCor Technologies, Inc., Tranche 1 Term Loan, LIBOR + 2.250%, due 04/30/13 | | 1,566,946 |
| 338,676 | FleetCor Technologies, Inc., Tranche 2 Term Loan, LIBOR + 2.250%, due 04/30/13 | | 316,662 |
| 460,000 | U.S. TelePacific Corp., Advance, LIBOR + 8.250%, due 08/04/12 | | 377,344 |
| | | | <u>2,260,952</u> |
| | Utilities | | |
| - | Calpine Corporation, Revolving Commitment, LIBOR + 2.875%, due 03/29/14 | | <u>(137,376)</u> |
| | Total Senior Bank Debt (Cost \$99,038,235) | | <u>82,704,937</u> |
| | Corporate Fixed Income Securities (8.3% of Total Investments) | | |
| | Aerospace and Defense | | |
| 97,000 | Alion Science and Technology Corporation, Senior Unsecured, 10.250%, due 02/01/15 | | <u>73,963</u> |
| | Automotive | | |
| 470,000 | FleetPride Corporation, Senior Unsecured, 11.500%, due 10/01/14 | | 427,700 |
| 2,813,000 | Keystone Automotive Operations, Inc., Senior Subordinated, 9.750%, due 11/01/13 | | 1,223,655 |
| 689,473 | United Components, Inc., LIBOR + 7.500%, due 12/15/13 | | 589,499 |
| 570,000 | United Components, Inc., Senior Subordinated, 9.375%, due 06/15/13 | | 551,475 |
| | | | <u>2,792,329</u> |
| | Beverage and Tobacco | | |
| 6,000,000 | Core-Mark Holding Company, Inc., Senior Unsecured, 9.250%, due 06/15/10* | | 30,000 |
| 7,000,000 | Core-Mark Holding Company, Inc., Senior Unsecured, 10.125%, due 04/01/08* | | 35,000 |
| | | | <u>65,000</u> |
| | Broadcast Radio and Television | | |
| 510,000 | Barrington Broadcasting Group LLC, Senior Subordinated, 10.500%, due 08/15/14 | | <u>360,825</u> |
| | Containers and Glass Products | | |
| 340,000 | Berry Plastics Holding Corporation, Senior Secured, LIBOR + 3.875%, due 09/15/14 | | <u>273,700</u> |
| | Ecological Services and Equipment | | |
| 2,500,000 | Casella Waste Systems, Inc., Senior Subordinated, 9.750%, due 02/01/13 | | 2,475,000 |
| 430,000 | WCA Waste Corporation, Senior Unsecured, 9.250%, due 06/15/14 | | 430,000 |
| | | | <u>2,905,000</u> |

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Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Principal** | | |
|--------------------|--|--------------------------|
| Amount | Corporate Fixed Income (continued) | Fair Value |
| | Electronic/Electric | |
| \$ 3,200,000 | Aeroflex Incorporated, Senior Unsecured, 11.750%, due 02/15/15 | \$ 3,168,000 |
| 2,660,000 | Sensata Technologies B.V., Senior Unsecured, 8.000%, due 05/01/14 | 2,613,450 |
| 2,900,000 | Sensata Technologies B.V., Senior Subordinated, 9.000%, due 05/01/16 | 3,954,359 |
| | | <u>9,735,809</u> |
| | Food Services | |
| 481,000 | Vicorp Restaurants, Inc., Senior Unsecured, 10.500%, due 04/15/11* | <u>-</u> |
| | Nonferrous Metals/Minerals | |
| 420,000 | Aleris International, Inc., Senior Unsecured, Step Up + 9.750%, due 12/15/14* | <u>4,200</u> |
| | Oil and Gas | |
| 3,320,000 | SemCrude, L.P., Zero Coupon, due 11/15/15* | <u>-</u> |
| | Retailers (other than food/drug) | |
| 360,000 | Dollarama Group, L.P., Senior Subordinated, LIBOR + 6.750%, due 08/15/12 | <u>415,800</u> |
| | Total Corporate Fixed Income Securities (Cost \$18,974,001) | <u>16,626,626</u> |
| | Structured Investments (21.1% of Total Investments) | |
| 5,000,000 | Castle Hill I - INGOTS, Ltd., Subordinated Interest, due 12/03/14 | 3,970,000 |
| 45,000,000 | Castle Hill II - INGOTS, Ltd., Subordinated Interest, due 10/15/14 | 35,001,000 |
| 2,650,000 | Castle Hill III CLO, Limited, Class C - 1, due 09/15/15 | 1,060,000 |
| 1,100,000 | Castle Hill III CLO, Limited, Class C - 2, due 09/15/15 | 329,120 |
| 1,165,894 | Eastland CLO, Ltd., Class C Notes, due 05/01/22 | 233,179 |
| 5,000,000 | Race Point CLO, Ltd., Subordinated Interest, due 11/20/14 | <u>1,531,500</u> |
| | Total Structured Investments (Cost \$55,516,542) | <u>42,124,799</u> |
| | Limited Partnerships (8.4% of Total Investments) | |
| | CCG CI, LLC, Limited Liability Company | 1,352,954 |
| | General Catalyst, Limited Partnership Interest | 21,436 |
| | Goldman Sachs Capital Partners 2000, Limited Partnership Interest | 2,368,756 |
| | Goldman Sachs Mezzanine Partners II, LP, Limited Partnership Interest | 973,176 |
| | Thomas H. Lee Equity Fund V, LP, Limited Partnership Interest | 5,398,957 |
| | VVPA, L.P., Limited Partnership Interest | 219,409 |
| | Welsh, Carson, Anderson & Stowe IX, Limited Partnership Interest | 3,057,496 |
| | Welsh, Carson, Anderson & Stowe VIII, Limited Partnership Interest | <u>3,315,750</u> |
| | Total Limited Partnerships (Cost \$18,761,411) | <u>16,707,934</u> |
| | Mezzanine (13.5% of Total Investments) | |
| | Automotive | |
| 1,978,086 | Auction Broadcasting Company, Senior Note, Step Up + 16.000%, due 03/31/10 (f) | <u>1,889,073</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Principal** | | | |
|--------------------|---|----|--------------------------|
| Amount | Mezzanine (continued) | | Fair Value |
| | Food Products | | |
| \$ 3,880,438 | Harvest Time Bread Company, Senior Unsecured, 7.500%, due 12/31/99 | \$ | 2,716,306 |
| 981,229 | Harvest Time Bread Company, Senior Unsecured, LIBOR + 7.500%, due 12/31/99 | | 686,860 |
| 944,792 | Portuguese Baking Company, LP, Senior Subordinated, Float + 16.000%, due 11/09/10* | | 59,354 |
| 59,354 | Portuguese Baking Company, LP, Senior Subordinated, LIBOR + 12.000%, due 11/09/10 | | 944,792 |
| 2,882,656 | Shari's, Senior Subordinated, Variable + 22.500%, due 12/28/12 | | 2,882,656 |
| | | | <u>7,289,968</u> |
| | Healthcare | | |
| 9,530,628 | American Institute of Gastric Banding, Ltd., Senior Secured, LIBOR + 3.500%, due 10/14/10 | | 9,530,628 |
| 1,322,451 | American Institute of Gastric Banding, Ltd., Senior Secured, LIBOR + 3.500%, due 10/14/10 | | 1,322,451 |
| 807,843 | Liberty Dialysis, Senior Secured, LIBOR + 3.500%, due 09/17/11 | | 786,031 |
| | | | <u>11,639,110</u> |
| | Leisure | | |
| 1,596,338 | Foto Fantasy, Inc., Senior Secured, LIBOR + 12.000%, due 12/31/11 | | 1,407,970 |
| 1,969,949 | Harlem Globetrotters International, Inc, Senior Secured, LIBOR + 7.000%, due 09/21/11 | | 1,788,714 |
| | | | <u>3,196,684</u> |
| | Retailers (other than food/drug) | | |
| 825,946 | Motorsports Investment Group, Inc, , Zero Coupon, due 03/31/14 (h) | | 206,486 |
| 8,001,688 | Motorsports Investment Group, Inc, 14.350%, due 03/31/14 (h)* | | 2,000,422 |
| 934,093 | Work 'N Gear, Inc., Senior Subordinated, LIBOR + 16.000%, due 07/20/10 | | 848,156 |
| | | | <u>3,055,064</u> |
| | Total Mezzanine (Cost \$32,601,055) | | <u>27,069,899</u> |
| Number of | Common Stock (5.9% of Total Investments) | | |
| Shares | | | |
| | Automotive | | |
| 48,342 | BHM Technologies, LLC | | - |
| 1,028,571 | Keystone Automotive Operations, Inc., Class A | | - |
| 114,286 | Keystone Automotive Operations, Inc., Class L | | - |
| 29,241 | TI Automotive Limited, Class A Shares | | 680,439 |
| | | | <u>680,439</u> |
| | Beverage and Tobacco | | |
| 8,396 | Core-Mark Holding Company, Inc. | | 258,765 |
| | | | <u>258,765</u> |
| | Building and Development | | |
| 746 | Financière Daunou 9 S.à.r.l. | | - |
| | | | <u>-</u> |
| | Business Equipment and Services | | |
| 121 | Katun Corp., Class A (c) | | - |
| | | | <u>-</u> |
| | Chemical/Plastics | | |
| 62 | Novacap (d) | | 132,662 |
| | | | <u>132,662</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Number of Shares | Common Stock (continued) | Fair Value |
|---------------------|--|--------------------------|
| | Electronic/Electric | |
| 297,810 | DDi Corp | \$ 1,456,290 |
| 159,706 | Solarwinds (g) | 2,939,868 |
| | | <u>4,396,158</u> |
| | Food Products | |
| 272,250 | Harvest Time Bread Company | 407,082 |
| 17,778 | Shari's | - |
| | | <u>407,082</u> |
| | Food Services | |
| 32,104 | Buffets, Inc. | <u>148,481</u> |
| | Leisure | |
| 113,605 | Bombardier Recreational Products Inc., Class A (e) | 1,871,074 |
| 951,175 | Bombardier Recreational Products Inc., Class L (e) | 207,927 |
| 3,001,233 | Foto Fantasy, Inc. | - |
| 68,850 | The Firm, Inc. (b) | 42,781 |
| 344,143 | Warner Music Group Corp (b) | 1,558,280 |
| | | <u>3,680,062</u> |
| | Oil and Gas | |
| 28,488 | SemCrude, L.P., Class B | 733,566 |
| 8,590 | SemCrude, L.P., Class A | 221,193 |
| 39,010 | TARH E&P Holdings, L.P. | - |
| | | <u>954,759</u> |
| | Publishing | |
| 21,104 | SuperMedia, Inc. | <u>816,035</u> |
| | Retailers (other than food/drug) | |
| 2,602 | MacGregor Golf Company, CKF6 Holdings, LLC | 45,991 |
| 26 | MacGregor Golf Company, Common - Port Jackson Holdings | 214,922 |
| 20,726 | Work 'N Gear, Inc. | - |
| | | <u>260,913</u> |
| | Total Common Stock (Cost \$32,386,491) | <u>11,735,356</u> |
| | Preferred Stock (1.5% of Total Investments) | |
| | Automotive | |
| 579 | BHM Technologies, LLC | - |
| 434 | Hayes Lemmerz International, Inc. | - |
| | | <u>-</u> |
| | Business Equipment and Services | |
| 94 | Katun Corp., Series A (c) | - |
| | Chemical/Plastics | |
| 294 | Novacap, Convertible (d) | <u>629,075</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

| Number of Shares | Preferred Stock (continued) | Fair Value |
|---------------------|--|------------------------------|
| | Financial Intermediaries | |
| 73,995 | Village Ventures, Series A | \$ 23,382 |
| 28,342 | Village Ventures, Series B | 15,588 |
| | | <u>38,970</u> |
| | Food Products | |
| 1,960 | Portuguese Baking Company, LP, Series A-1 | 1,665,852 |
| 375 | Shari's, Series A Preferred Stock | 351,863 |
| 620 | Shari's, Series B Preferred Stock | - |
| | | <u>2,017,715</u> |
| | Healthcare | |
| 365,045 | Liberty Dialysis, Series A-2 | <u>350,443</u> |
| | Oil and Gas | |
| 39,010 | TARH E&P Holdings, L.P. | <u>-</u> |
| | Retailers (other than food/drug) | |
| 619,131 | Work 'N Gear, Inc., Series A | <u>-</u> |
| | Total Preferred Stock (Cost \$3,744,747) | <u>3,036,203</u> |
| | Warrants (0.0% of Total Investments) | |
| | Containers and Glass Products | |
| 18,811 | Hilex Poly Co. LLC, Warrants | <u>-</u> |
| | Food Products | |
| 506,130 | Portuguese Baking Company, LP, Warrants - Series 1 | 12 |
| 405,811 | Portuguese Baking Company, LP, Warrants - Series 2 | - |
| 313,813 | Portuguese Baking Company, LP, Warrants - Series 3 | - |
| 58 | Shari's, B Pref & Common Warrants | - |
| 7,016 | Shari's, Common Stock Warrants | - |
| | | <u>12</u> |
| | Total Warrants (Cost \$639,730) | <u>12</u> |
| | Total Investments (Cost \$261,662,212) | <u>\$ 200,005,766</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2009

- * Indicates a security that is not currently making coupon payments.
- ** Principal amount in U.S. Dollars unless otherwise indicated.
- (a) Security Principal amount is denominated in Euro
- (b) Investments held via Bain Capital Integral Investors, LLC
- (c) Investments held via PNA Holding, LLC and Sankaty Integral Investors, LLC
- (d) Investments held via Novacap Luxembourg SCA
- (e) Investments held via Bain Capital Integral Investors II, LLC
- (f) Investments held via ABC Holding Co.
- (g) Investments held via Bain Capital Venture Integral Investors
- (h) Investments held via Motorsport Investment Holdings Group, LLC

The geographical categorization by country of issuer of the value of investments is as follow:

| | |
|-------|---------------|
| USA | 91.3% |
| Other | 8.7% |
| | <u>100.0%</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|---------------------------------------|--|----|-------------------|
| Amount | Senior Bank Debt (61.3% of Total Investments) | | Fair Value |
| Aerospace and Defense | | | |
| \$ 735,959 | Alion Science and Technology Corporation, Term Loan, LIBOR + 6.000%, due 02/06/13 | \$ | 367,979 |
| 3,299,615 | AWAS Capital Inc., Loan, LIBOR + 1.750%, due 03/15/13 | | 2,100,756 |
| 722,811 | DAE Aviation Holdings, Inc., Tranche B-1 Loan, LIBOR + 3.750%, due 07/31/14 | | 379,476 |
| 712,544 | DAE Aviation Holdings, Inc., Tranche B-2 Loan, LIBOR + 3.750%, due 07/31/14 | | 374,086 |
| 213,266 | Hawker Beechcraft, Inc., LC Facility Deposit, LIBOR + 2.000%, due 03/26/14 | | 112,071 |
| 3,631,912 | Hawker Beechcraft, Inc., Term Loan, LIBOR + 2.000%, due 03/26/14 | | 1,908,570 |
| | | | <u>5,242,938</u> |
| Air Transportation | | | |
| 1,057,908 | American Airlines, Inc., Term 2 Advance, LIBOR + 2.000%, due 12/17/10 | | 751,114 |
| 27,809 | Delta Air Lines, Inc., Credit-Linked Deposit Loan, LIBOR + 2.000%, due 04/30/12 | | 18,806 |
| 312,859 | Delta Air Lines, Inc., Second Lien Term Loan, LIBOR + 3.250%, due 04/30/14 | | 159,245 |
| 4,673,998 | United Air Lines, Inc., Tranche B Loan, LIBOR + 2.000%, due 02/01/14 | | 2,276,237 |
| 3,750,817 | US Airways Group, Inc., Loan, LIBOR + 2.500%, due 03/21/14 | | 1,631,605 |
| | | | <u>4,837,007</u> |
| Automotive | | | |
| 11,401,098 | Allison Transmission, Inc., Term Loan, LIBOR + 2.750%, due 08/07/14 | | 6,425,328 |
| 255,791 | BHM Technologies, LLC, Exit Financing Term Loan, LIBOR + 10.000%, due 11/26/09 | | 248,117 |
| 711,927 | BHM Technologies, LLC, Loan, LIBOR + 5.250%, due 11/26/13 | | 65,709 |
| - | BHM Technologies, LLC, Tranche A Revolving Credit, LIBOR + 10.000%, due 11/26/09 | | (2,437) |
| 569,573 | Cooper-Standard Holdings, Inc., Tranche D Term Loan, LIBOR + 2.500%, due 12/23/11 | | 242,069 |
| 652,893 | Fleetpride Corporation, Term Loan, LIBOR + 2.500%, due 06/06/13 | | 359,091 |
| 5,371,912 | Ford Motor Company, Term Loan, LIBOR + 3.000%, due 12/15/13 | | 2,189,054 |
| 7,504,310 | General Motors Corporation, Loan, LIBOR + 2.375%, due 11/29/13 | | 3,449,304 |
| 1,925,411 | Goodyear Tire & Rubber Company, Loan, LIBOR + 1.750%, due 04/30/14 | | 1,237,077 |
| 2,657,689 | Key Safety Systems, Inc., Term Loan, LIBOR + 2.250%, due 03/08/14 | | 1,388,642 |
| 4,232,638 | Lear Corporation, Term Loan, LIBOR + 2.500%, due 04/25/12 | | 1,911,036 |
| 2,996,192 | TI Automotive Limited, Facility A, LIBOR + 4.000%, due 05/21/12 | | 384,510 |
| | | | <u>17,897,500</u> |
| Beverage and Tobacco | | | |
| 210,373 | Black Lion Beverages Luxembourg S.à r.L., 2nd Lien Facility D, LIBOR + 4.250%, due 06/30/15 (a) | | 144,383 |
| 296,553 | Black Lion Beverages Luxembourg S.à r.L., Facility B Tranche 2, LIBOR + 2.375%, due 12/31/13 (a) | | 254,931 |
| 285,033 | Black Lion Beverages Luxembourg S.à r.L., Facility C Tranche 2, LIBOR + 2.875%, due 12/31/14 (a) | | 245,028 |
| 2,088,534 | Dean Foods Company, Tranche B Term Loan, LIBOR + 1.500%, due 04/02/14 | | 1,765,557 |
| | | | <u>2,409,899</u> |
| Broadcast Radio and Television | | | |
| 647,222 | Bonten Media Group Holdings, Inc., Additional Term Loan, LIBOR + 2.500%, due 05/31/14 | | 469,236 |
| 526,509 | Bonten Media Group Holdings, Inc., Initial Term Loan, LIBOR + 2.500%, due 05/31/14 | | 381,719 |
| 4,539,463 | Citadel Broadcasting Corporation, Tranche B Term Loan, LIBOR + 1.750%, due 06/12/14 | | 1,861,180 |
| 586,496 | HIT Entertainment, Inc., Term Facility, LIBOR + 2.250%, due 03/20/12 | | 263,923 |
| 77,934 | Nextmedia Operating, Inc., Delay Draw Term Loan, LIBOR + 4.000%, due 11/15/12 | | 42,669 |
| 175,351 | Nextmedia Operating, Inc., Initial Term Loan, LIBOR + 4.000%, due 11/15/12 | | 96,005 |
| 7,760,870 | Univision Communications, Inc., Initial Term Loan, LIBOR + 2.250%, due 09/29/14 | | 3,190,579 |
| | | | <u>6,305,311</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--|---|----|-------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| Building and Development | | | |
| \$ 219,052 | Financière Daunou 9 S.à.r.l, Tranche B4, LIBOR + 2.125%, due 06/14/15 | \$ | 82,418 |
| 225,587 | Financière Daunou 9 S.à.r.l, Tranche C4, LIBOR + 2.375%, due 06/14/16 | | 84,877 |
| | | | <u>167,295</u> |
| Business Equipment and Services | | | |
| 206,105 | CEVA Group PLC, Dollar Pre-Funded L/C Facility, LIBOR + 3.100%, due 11/04/13 | | 127,785 |
| 619,069 | CEVA Group PLC, US Term Loan, LIBOR + 3.000%, due 11/04/13 | | 383,823 |
| 1,416,595 | Education Management, LLC, Tranche C Term Loan, LIBOR + 1.750%, due 06/01/13 | | 900,954 |
| 573,770 | Emdeon Business Services, LLC, Loan, LIBOR + 5.000%, due 05/16/14 | | 338,525 |
| 3,814,446 | Kronos Incorporated, Initial Term Loan, LIBOR + 2.250%, due 06/11/14 | | 2,536,607 |
| 811,581 | Sitel, LLC, U.S. Term Loan, LIBOR + 5.500%, due 01/30/14 | | 486,948 |
| 1,789,029 | TransFirst Holdings, Inc., Term Loan, LIBOR + 2.750%, due 06/15/14 | | 849,789 |
| 3,791,544 | Verint Systems, Inc., Term Loan, LIBOR + 3.250%, due 05/27/14 | | 1,952,645 |
| | | | <u>7,577,076</u> |
| Cable Television | | | |
| 872,824 | Atlantic Broadband Finance, LLC, Tranche B-2 Term Loan, LIBOR + 2.250%, due 09/01/11 | | 720,080 |
| 2,368,000 | CCO Holdings, LLC, Incremental Loan, LIBOR + 2.500%, due 09/06/14 | | 1,275,760 |
| 16,168 | CSC Holdings, Inc., Incremental Term Loan, LIBOR + 1.750%, due 02/24/13 | | 13,871 |
| 1,455,243 | Kabel Deutschland GmbH, A Facility, LIBOR + 1.750%, due 03/31/12 (a) | | 1,675,113 |
| 6,629,600 | MCC Iowa, LLC, Tranche D-1 Term Loan, LIBOR + 1.750%, due 01/31/15 | | 4,382,166 |
| 132,997 | MCC Iowa, LLC, Tranche D-2 Term Loan, LIBOR + 1.750%, due 01/31/15 | | 87,911 |
| 2,990,247 | UPC Broadband Holding B.V., Facility M, LIBOR + 2.000%, due 12/31/14 (a) | | 2,742,692 |
| 942,690 | WideOpenWest Finance, LLC, 2nd Lien, LIBOR + 7.000%, due 06/29/15 | | 235,672 |
| 6,139,197 | WideOpenWest Finance, LLC, Term Loan, LIBOR + 2.500%, due 06/30/14 | | 3,453,298 |
| 140,669 | Ypso Holding SA, Acquisition 1 Facility, LIBOR + 2.500%, due 06/13/14 (a) | | 99,718 |
| 70,624 | Ypso Holding SA, Acquisition 2 Facility, LIBOR + 2.500%, due 06/13/14 (a) | | 50,064 |
| 354,585 | Ypso Holding SA, B1 Facility, LIBOR + 2.500%, due 06/13/14 (a) | | 251,360 |
| | | | <u>14,987,705</u> |
| Chemical/Plastics | | | |
| 4,115,612 | Berry Plastics Holding Corporation, Term C Loan, LIBOR + 2.000%, due 04/03/15 | | 2,657,142 |
| 930,946 | Brenntag Holding GmbH & Co. KG, Acquisition Facility 1 Loan, LIBOR + 2.000%, due 01/20/14 | | 681,918 |
| 3,340,000 | Brenntag Holding GmbH & Co. KG, Facility 2 Loan, LIBOR + 4.000%, due 06/15/15 | | 2,074,975 |
| 3,809,983 | Brenntag Holding GmbH & Co. KG, Facility B2 Loan, LIBOR + 2.000%, due 01/20/14 | | 2,790,813 |
| 647,797 | Brenntag Holding GmbH & Co. KG, Facility C 1 Loan, EURIBOR + 2.250%, due 01/21/15 (a) | | 723,827 |
| 502,559 | Brenntag Holding GmbH & Co. KG, Facility C 2 Loan, LIBOR + 3.000%, due 01/19/15 (a) | | 561,543 |
| 685,614 | Cognis Deutschland GmbH & Co. KG, Facility C, LIBOR + 2.000%, due 09/15/13 | | 414,111 |
| 1,175,669 | Cristal Inorganic Chemicals US, Inc., Loan, LIBOR + 6.000%, due 11/15/14 | | 499,659 |
| 5,980,409 | Hexion Specialty Chemicals, Inc., Tranche C-1 Term Loan, LIBOR + 2.250%, due 05/05/13 | | 2,517,752 |
| 1,295,792 | Hexion Specialty Chemicals, Inc., Tranche C-2 Term Loan, LIBOR + 2.250%, due 05/05/13 | | 545,529 |
| 2,507,305 | Hexion Specialty Chemicals, Inc., Tranche C-4 Initial Term Loan, LIBOR + 2.250%, due 05/05/13 | | 1,053,068 |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--------------------|---|----|-------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| | Chemical/Plastics (continued) | | |
| \$ 3,119,743 | Ineos Group Limited, Term B2 Facility, LIBOR + 4.500%, due 12/16/13 | \$ | 1,384,386 |
| 3,119,743 | Ineos Group Limited, Term C2 Facility, LIBOR + 5.000%, due 12/16/14 | | 1,383,085 |
| 71,179 | Lucite International Investment Limited, Term B-1 Advance, LIBOR + 2.250%, due 07/07/13 | | 57,061 |
| 288,092 | Lucite International Investment Limited, Term B-2 Advance, LIBOR + 2.250%, due 07/07/13 | | 230,954 |
| 334,692 | MacDermid, Incorporated, Tranche B Term Loan, LIBOR + 2.000%, due 04/12/14 | | 215,876 |
| 3,136,250 | Rockwood Specialties Group, Inc., Tranche G Term Loan, LIBOR + 1.750%, due 07/30/12 (a) | | 3,594,757 |
| 4,525,106 | Univar, Inc., Opco Tranche B Term Loan, LIBOR + 3.000%, due 10/10/14 | | 2,760,315 |
| | | | <u>24,146,771</u> |
| | Conglomerates | | |
| 63,768 | LN Acquisition Corp., Delay Draw Term Loan, LIBOR + 2.500%, due 07/11/14 | | 48,464 |
| 170,049 | LN Acquisition Corp., Initial U.S. Term Loan, LIBOR + 2.500%, due 07/11/14 | | 129,237 |
| 284,853 | LN Acquisition Corp., Second Lien, LIBOR + 5.750%, due 01/09/15 | | 210,792 |
| | | | <u>388,493</u> |
| | Containers and Glass Products | | |
| 1,833,691 | BakerCorp., Tranche C Term Loan, LIBOR + 2.250%, due 05/08/14 | | 903,093 |
| 1,552,995 | Graham Packaging Company, I.P., New Term Loan, LIBOR + 2.250%, due 10/07/11 | | 1,131,098 |
| 729,781 | Kranson Industries, Inc., Term Loan, LIBOR + 2.250%, due 07/31/13 | | 565,581 |
| 3,181,358 | Pliant Corporation, Revolver, LIBOR + 3.000%, due 07/18/11 | | 2,672,341 |
| | | | <u>5,272,113</u> |
| | Electronic/Electric | | |
| 865,325 | FCI International S.A.S., Facility B1, LIBOR + 2.375%, due 11/02/13 | | 618,707 |
| 522,764 | FCI International S.A.S., Facility B2a, LIBOR + 2.375%, due 11/01/13 | | 423,439 |
| 503,276 | FCI International S.A.S., Facility B2b, LIBOR + 2.375%, due 11/02/13 | | 407,654 |
| 1,765,165 | FCI International S.A.S., Facility B3a, LIBOR + 2.375%, due 03/25/15 | | 1,429,784 |
| 627,290 | FCI International S.A.S., Facility B3c, LIBOR + 2.375%, due 11/01/13 | | 508,105 |
| 2,941,942 | FCI International S.A.S., Facility B4a, LIBOR + 2.375%, due 11/03/13 | | 2,382,973 |
| 603,906 | FCI International S.A.S., Facility B4b, LIBOR + 2.375%, due 11/02/14 | | 489,164 |
| 1,038,346 | FCI International S.A.S., Facility B5b, LIBOR + 2.375%, due 11/02/14 | | 841,061 |
| 1,236,910 | Ridgefield Acquisition SÀRL, Facility B3, LIBOR + 2.000%, due 03/30/15 | | 931,805 |
| 1,236,910 | Ridgefield Acquisition SÀRL, Facility C3, LIBOR + 2.500%, due 03/28/16 | | 931,805 |
| 1,396,112 | Semiconductor Components Industries, LLC, Term Loan, LIBOR + 1.750%, due 09/06/13 | | 872,570 |
| 1,146,868 | Sensata Technologies B.V., Euro Term Loan, EURIBOR + 2.000%, due 04/27/13 (a) | | 801,546 |
| 6,894,429 | Sensata Technologies B.V., US Term Loan, LIBOR + 1.750%, due 04/27/13 | | 3,550,631 |
| 6,045,629 | SunGard Data Systems, Inc., Term Loan B, LIBOR + 1.750%, due 02/28/14 | | 4,177,529 |
| 174,213 | Verifone, Inc., Term B Loan, LIBOR + 2.750%, due 10/31/13 | | 116,722 |
| | | | <u>18,483,495</u> |
| | Equipment Leasing | | |
| 1,047,385 | NES Rentals Holdings, Inc., Permanent Term Loan, LIBOR + 6.750%, due 07/20/13 | | 460,849 |
| 2,535,054 | Rental Service Corporation, Initial Term Loan, LIBOR + 3.500%, due 11/30/13 | | 1,362,592 |
| | | | <u>1,823,441</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--------------------|---|----|-------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| | Financial Intermediaries | | |
| \$ 184,034 | Dollar Financial Corp., Canadian Borrower Term Loan, LIBOR + 2.750%, due 10/30/12 | \$ | 110,420 |
| 176,078 | Dollar Financial Corp., Delayed Draw Term Loan, LIBOR + 2.750%, due 10/30/12 | | 105,647 |
| 2,234,162 | iPayment, Inc., Term Loan, LIBOR + 2.000%, due 05/10/13 | | 1,474,547 |
| | | | <u>1,690,614</u> |
| | Food Products | | |
| 2,171,788 | Atkins Nutritionals, Inc., Term Loan, LIBOR + 4.500%, due 09/14/12 | | <u>2,028,450</u> |
| | Food Services | | |
| 403,890 | Awesome Acquisition Company, Term Loan, LIBOR + 5.000%, due 06/04/14 | | 222,140 |
| 1,470,385 | Buffets, Inc., Delayed Draw Loan, LIBOR + 15.000%, due 04/30/09 | | 1,433,626 |
| 195,549 | Buffets, Inc., PF L/C Commitment, LIBOR + 7.350%, due 11/01/13 | | 51,651 |
| 1,315,623 | Buffets, Inc., Term Loan, LIBOR + 7.250%, due 11/01/13 | | 352,360 |
| 642,874 | Buffets, Inc., Tranche 2 Rollover Loan, LIBOR + 7.250%, due 04/30/09 | | 199,291 |
| 64,048 | Buffets, Inc., Tranche 3 Rollover Loan, LIBOR + 7.250%, due 04/30/09 | | 16,877 |
| 281,156 | CTI Foods Holdings Co., LLC, Second-Lien Term Loan, LIBOR + 5.000%, due 06/18/14 | | 77,318 |
| 1,445,349 | NPC International, Inc., Term Facility, LIBOR + 1.750%, due 10/20/12 | | 982,838 |
| | | | <u>3,336,101</u> |
| | Food/Drug Retailers | | |
| 5,669,781 | Rite Aid Corporation, Tranche 2 Term Loan, LIBOR + 1.750%, due 06/04/14 | | <u>3,373,520</u> |
| | Forest Products | | |
| 1,184,607 | Smurfit Kappa Corporation Limited, B1 Term Loan Facility USD, LIBOR + 1.875%, due 12/02/13 | | 726,559 |
| 1,184,607 | Smurfit Kappa Corporation Limited, C1 Term Loan Facility USD, LIBOR + 2.125%, due 11/30/14 | | 726,559 |
| | | | <u>1,453,118</u> |
| | Healthcare | | |
| 692,604 | Biomet, Inc., Dollar Term Loan, LIBOR + 3.000%, due 03/25/15 | | 595,639 |
| 81,826 | BSN Medical Luxembourg Holding S.À R.L., B1a Term Loan Facility, LIBOR + 2.500%, due 12/20/13 (a) | | 93,860 |
| 88,292 | BSN Medical Luxembourg Holding S.À R.L., B1e Term Loan Facility, LIBOR + 2.500%, due 12/20/13 (a) | | 101,277 |
| 63,902 | BSN Medical Luxembourg Holding S.À R.L., C1 Term Loan Facility, LIBOR + 3.000%, due 12/20/14 (a) | | 73,300 |
| 49,300 | BSN Medical Luxembourg Holding S.À R.L., C3 Term Loan Facility, LIBOR + 3.000%, due 12/20/14 (a) | | 56,550 |
| 200,796 | BSN Medical Luxembourg Holding S.À R.L., C4 Term Loan Facility, LIBOR + 3.000%, due 12/20/14 (a) | | 230,327 |
| 57,131 | Carestream Health, Inc., Term Loan, LIBOR + 2.000%, due 04/30/13 | | 34,493 |
| 480,104 | Carl Zeiss Vision Holding GmbH, Term B2 Facility, LIBOR + 2.500%, due 07/24/15 | | 276,060 |
| 1,132,691 | Concentra, Inc., Loan, LIBOR + 5.500%, due 06/25/15 | | 283,173 |
| 1,078,510 | Concentra, Inc., Tranche B Term Loan, LIBOR + 2.250%, due 06/25/14 | | 657,891 |
| 739,601 | CRC Health Corporation, Term Loan, LIBOR + 2.250%, due 02/06/13 | | 449,923 |
| 293,422 | IM US Holdings, LLC, Term Loan, LIBOR + 4.250%, due 06/26/15 | | 178,988 |
| 27,970 | National Mentor Holdings, LLC, Institutional LC Facility, LIBOR + 2.000%, due 06/29/13 | | 18,181 |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--------------------------------------|---|----|-------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| Healthcare (continued) | | | |
| \$ 456,792 | National MENTOR Holdings, Inc., Tranche B Term Loan, LIBOR + 2.000%, | \$ | 296,915 |
| 573,677 | Quintiles Transnational Corp., Term B Loan, LIBOR + 2.000%, due 03/31/13 | | 467,547 |
| 201,516 | United Surgical Partners International, Inc., Delayed Draw Term Loan, LIBOR + 2.000%, due 04/19/14 | | 126,955 |
| 1,066,884 | United Surgical Partners International, Inc., Tranche B Term Loan, LIBOR + 2.000%, due 04/19/14 | | 672,137 |
| 241,564 | US Oncology, Inc., Tranche B Term Loans, LIBOR + 2.750%, due 08/20/11 | | 206,839 |
| 764,694 | Vanguard Health Holding Company, LLC, Replacement Term Loan, LIBOR + 2.250%, due 09/23/11 | | 628,961 |
| 651,601 | VWR Funding, Inc., Dollar Term Loan, LIBOR + 2.500%, due 06/30/14 | | 444,175 |
| | | | <u>5,893,191</u> |
| Home Furnishings | | | |
| 1,618,292 | Simmons Bedding Company, Tranche D Term Loan, LIBOR + 6.285%, due 12/19/11 | | <u>877,924</u> |
| Hotels/Motel/Inns and Casinos | | | |
| 616,825 | Las Vegas Sands, LLC, Delayed Draw I Term Loan, LIBOR + 1.750%, due 05/23/14 | | 285,110 |
| 2,442,503 | Las Vegas Sands, LLC, Tranche B Term Loan, LIBOR + 1.750%, due 05/23/14 | | 1,128,979 |
| 1,806,989 | Motor City Casino, Term B Loan, LIBOR + 2.000%, due 07/13/12 | | 858,320 |
| 2,674,702 | VML US Finance, LLC, Term B Delayed Draw, LIBOR + 2.250%, due 05/25/12 | | 1,298,902 |
| 4,323,709 | VML US Finance, LLC, Term B Funded Project Tranche, LIBOR + 2.250%, due 05/25/13 | | 2,099,701 |
| 213,895 | Yonkers Racing Corporation, Term Loan, LIBOR + 7.500%, due 08/12/11 | | <u>180,742</u> |
| | | | <u>5,851,754</u> |
| Industrial Equipment | | | |
| 514,940 | Johnson Diversey, Inc., Tranche B Loan, LIBOR + 2.000%, due 12/16/11 | | 447,998 |
| 399,614 | Kinetek Industries, Inc., Loan, LIBOR + 5.500%, due 05/10/14 | | 159,846 |
| 2,559,974 | Manitowoc Company, Inc., Term B Loan, LIBOR + 3.500%, due 08/25/14 | | 1,815,022 |
| 533,537 | NACCO Materials Handling Group, Inc., Loan, LIBOR + 2.000%, due 03/21/13 | | <u>290,778</u> |
| | | | <u>2,713,644</u> |
| Insurance | | | |
| 604,362 | Hub International Holdings, Inc., Delayed Draw Term Loan, LIBOR + 2.500%, due 06/13/14 | | 350,530 |
| 2,688,832 | Hub International Holdings, Inc., Initial Term Loan, LIBOR + 2.500%, due 06/13/14 | | 1,559,523 |
| 433,945 | USI Holdings Corporation, Tranche B Term Loan, LIBOR + 2.750%, due 05/05/14 | | <u>186,596</u> |
| | | | <u>2,096,649</u> |
| Leisure | | | |
| 430,390 | 24 Hour Fitness Worldwide, Inc., Tranche B Term Loan, LIBOR + 2.500%, due 06/08/12 | | 253,930 |
| 410,492 | Hicks Sports Group, LLC, Loan, LIBOR + 5.500%, due 12/22/11 | | 159,066 |
| 2,610,560 | Hicks Sports Group, LLC, Term Loan, LIBOR + 2.500%, due 12/22/10 | | 1,544,582 |
| 3,198,344 | National CineMedia, LLC, Term Loan, LIBOR + 1.750%, due 02/13/15 | | 1,913,675 |
| 445,350 | Oceania Cruises, Inc., Loan, LIBOR + 5.750%, due 04/27/14 | | 233,809 |
| 1,299,359 | Oceania Cruises, Inc., Term B Loan, LIBOR + 2.250%, due 04/27/13 | | 617,195 |
| 3,270,428 | Six Flags Theme Parks, Inc., Tranche B Term Loan, LIBOR + 2.250%, due 04/30/15 | | 1,945,905 |
| 2,695,480 | Town Sports International, LLC, Initial Term Loan, LIBOR + 1.750%, due 02/27/14 | | 1,361,217 |
| 242,493 | Town Sports International, LLC, Revolving Loan, LIBOR + 2.250%, due 02/27/12 | | (283,973) |
| 167,968 | WMG Acquisition Corp., Term Loan, LIBOR + 2.000%, due 02/28/11 | | <u>129,336</u> |
| | | | <u>7,874,742</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|---|---|----|-------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| Nonferrous Metals/Minerals | | | |
| \$ 867,311 | Algoma Steel Inc., Term Loan, LIBOR + 2.500%, due 06/20/13 | \$ | 537,733 |
| 321,170 | JW Aluminum Company, Term Loan, LIBOR + 6.750%, due 12/16/13 | | 88,322 |
| 2,121,992 | Murray Energy Corporation, Second Lien, LIBOR + 8.500%, due 01/28/11 | | 1,803,694 |
| 559,740 | Murray Energy Corporation, Third Lien, LIBOR + 12.500%, due 07/28/11 | | 461,785 |
| 1,203,125 | Murray Energy Corporation, Tranche B Term Loan, LIBOR + 3.000%, due 01/28/10 | | 1,046,719 |
| 941,722 | Noranda Aluminum Acquisition Corporation, Term B Loan, LIBOR + 2.000%, due 05/18/14 | | 565,033 |
| 508,792 | WHA Holding, Term B1 Facility, EURIBOR + 2.125%, due 07/29/13 (a) | | 393,525 |
| 67,961 | WHA Holding, Term B2 Facility, EURIBOR + 2.125%, due 07/29/13 (a) | | 52,565 |
| 59,962 | WHA Holding, Term B4 Facility, EURIBOR + 2.125%, due 10/06/13 (a) | | 46,378 |
| 508,792 | WHA Holding, Term C1 Facility, EURIBOR + 2.625%, due 07/29/14 (a) | | 393,525 |
| 43,514 | WHA Holding, Term C2 Facility, EURIBOR + 2.625%, due 07/29/14 (a) | | 33,655 |
| 59,962 | WHA Holding, Term C4 Facility, EURIBOR + 2.625%, due 05/29/15 (a) | | 46,378 |
| | | | <u>5,469,312</u> |
| Oil and Gas | | | |
| 1,812,187 | Antero Resources Corporation, Loan, LIBOR + 4.500%, due 04/12/14 | | 1,146,208 |
| 1,355,993 | Crimson Exploration, Inc., Term Loan, LIBOR + 5.750%, due 05/08/12 | | 847,496 |
| 752,214 | Delphi Acquisition Holding I B.V., Facility B1, LIBOR + 2.000%, due 01/12/15 | | 440,045 |
| 752,214 | Delphi Acquisition Holding I B.V., Facility C1, LIBOR + 2.875%, due 01/11/16 | | 440,045 |
| 457,106 | Delphi Acquisition Holding I B.V., Facility D1, LIBOR + 4.500%, due 07/11/16 | | 217,125 |
| 1,270,393 | Frontier Drilling USA, Inc., Term B Advance, LIBOR + 6.000%, due 06/21/13 | | 1,067,130 |
| 1,592,856 | Petroleum Geo-Services ASA, Term Loan, LIBOR + 1.750%, due 06/29/15 | | 1,099,070 |
| 1,425,401 | SemCrude, LP, US Term Series B-2 Loan, LIBOR + 4.000%, due 03/16/11* | | 427,620 |
| 361,024 | Targa Resources, Inc., Synthetic L/C Loan, LIBOR + 2.000%, due 10/31/12 | | 229,766 |
| 562,359 | Targa Resources, Inc., Term Loan, LIBOR + 2.000%, due 10/31/12 | | 357,902 |
| 374,537 | TARH E&P Holdings, LP, Term Loan, LIBOR + 4.500%, due 06/29/12 | | 224,722 |
| | | | <u>6,497,129</u> |
| Publishing | | | |
| 3,875,498 | American Media Operations, Inc., Term Loan, LIBOR + 2.490%, due 01/30/13 | | 2,024,948 |
| 1,495,134 | Catalina Marketing Corporation, Initial Term Loan, LIBOR + 3.000%, due 10/01/14 | | 941,934 |
| 41,305 | Cenveo Corporation, Delayed Draw Term Loan, LIBOR + 1.750%, due 06/21/13 | | 24,680 |
| 1,239,596 | Cenveo Corporation, Term C Facility, LIBOR + 1.750%, due 06/21/13 | | 740,659 |
| 11,564,000 | Idearc, Inc., Tranche B Term Loan, LIBOR + 2.000%, due 11/17/14 | | 3,650,917 |
| 627,198 | New Aster S.à.r.l., Tranche B9 Term Facility, LIBOR + 2.250%, due 12/31/14 | | 294,783 |
| 9,642,008 | Nielsen Finance LLC, Dollar Term Loan, LIBOR + 2.000%, due 08/09/13 | | 6,562,588 |
| | | | <u>14,240,509</u> |
| Retailers (other than food/drug) | | | |
| 234,401 | Dollarama Group, LP, Replacement Term B Loan, LIBOR + 1.750%, due 11/18/11 | | 189,865 |
| 116,825 | Nebraska Book Company, Inc., Incremental Term Loan, LIBOR + 2.500%, due 03/04/09 | | 68,927 |
| 234,400 | Nebraska Book Company, Inc., Replacement Term Loan, LIBOR + 2.500%, due 03/04/11 | | 138,296 |
| 1,730,483 | PETCO Animal Supplies Stores, Inc., Loan, LIBOR + 2.250%, due 10/26/13 | | 1,090,204 |
| 473,189 | Savers, Inc., Canadian Loan, LIBOR + 2.750%, due 08/11/12 | | 354,891 |
| 517,664 | Savers, Inc., U.S. Term Loan, LIBOR + 2.750%, due 08/11/12 | | 388,248 |
| | | | <u>2,230,431</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--------------------|---|----|---------------------------|
| Amount | Senior Bank Debt (continued) | | Fair Value |
| | Surface Transportation | | |
| \$ 1,760,957 | FleetCor Technologies, Inc., Tranche 1 Term Loan, LIBOR + 2.250%, due 04/30/13 | \$ | 898,088 |
| 355,692 | FleetCor Technologies, Inc., Tranche 2 Term Loan, LIBOR + 2.250%, due 04/30/13 | | 181,403 |
| | | | <u>1,079,491</u> |
| | Telecommunications/Cellular communications | | |
| 3,523,842 | Aeroflex Incorporated, Tranche B-1 Term Loan, LIBOR + 3.250%, due 08/15/14 | | 2,220,021 |
| 992,965 | Clearwire Corporation, Delayed-Draw Term Loan, LIBOR + 6.000%, due 07/03/12 | | 531,236 |
| 606,785 | Clearwire Corporation, Term Loan, LIBOR + 6.000%, due 07/03/12 | | 324,630 |
| 480,000 | Iridium Satellite, LLC, Loan, LIBOR + 9.000%, due 07/27/12 | | 422,400 |
| 2,885,568 | Level 3 Financing, Inc., Loan, LIBOR + 2.250%, due 03/13/14 | | 1,767,410 |
| 2,188,771 | PAETEC Holding Corp., Replacement Term Loan, LIBOR + 2.500%, due 02/28/13 | | 1,349,743 |
| 460,000 | U.S. TelePacific Corp., Second Lien, LIBOR + 8.250%, due 08/04/12 | | 161,000 |
| 789,852 | Vertafore, Inc., New Term Loan, LIBOR + 2.500%, due 01/31/12 | | 544,998 |
| 10,988,114 | West Corporation, Term B-2 Loan, LIBOR + 2.375%, due 10/24/13 | | 6,855,803 |
| | | | <u>14,177,241</u> |
| | Utilities | | |
| 786,296 | Calpine Corporation, Revolving Loan, LIBOR + 2.875%, due 03/29/14 | | 460,932 |
| 3,586,692 | Reliant Energy, Inc., Pre-Funded L/C Deposit, LIBOR + 1.750%, due 06/30/14 | | 2,607,525 |
| 141,860 | TPF Generation Holdings, LLC, Synthetic LC Deposit, LIBOR + 2.000%, due 12/15/13 | | 116,751 |
| 44,470 | TPF Generation Holdings, LLC, Synthetic Revolving Deposit, LIBOR + 2.000%, due 12/15/11 | | 36,599 |
| 665,074 | TPF Generation Holdings, LLC, Term Loan, LIBOR + 2.000%, due 12/15/13 | | 547,356 |
| | | | <u>3,769,163</u> |
| | Total Senior Bank Debt (Cost \$334,179,921) | | <u>194,192,027</u> |
| | Corporate Fixed Income Securities (8.2% of Total Investments) | | |
| | Aerospace and Defense | | |
| \$ 97,000 | Alion Science and Technology Corporation, Senior Unsecured, 10.250%, due 02/01/15 | | <u>44,620</u> |
| | Automotive | | |
| 470,000 | Fleetpride Corporation, Senior Unsecured, 11.500%, due 10/01/14 | | 415,950 |
| 320,000 | Ford Motor Credit Company, Senior Unsecured, 9.875%, due 08/10/11 | | 249,600 |
| 2,813,000 | Keystone Automotive Operations, Inc., Senior Subordinated, 9.750%, due 11/01/13 | | 1,083,005 |
| 570,000 | United Components, Inc., Senior Subordinated, 9.375%, due 06/15/13 | | 245,100 |
| 627,902 | United Components, Inc., Senior Unsecured, LIBOR + 7.500%, due 12/30/08 | | 113,034 |
| | | | <u>2,106,689</u> |
| | Beverage and Tobacco | | |
| 7,000,000 | Core-Mark Holding Company, Inc., Senior Unsecured, 10.125%, due 04/01/08* | | 280,000 |
| 6,000,000 | Core-Mark Holding Company, Inc., Senior Unsecured, 9.250%, due 06/15/10* | | 240,000 |
| | | | <u>520,000</u> |
| | Broadcast Radio and Television | | |
| 510,000 | Barrington Broadcasting Group, LLC, Senior Subordinated, 10.500%, due 08/15/14 | | 204,000 |
| 2,162,000 | ION Media Networks, Inc., Senior Secured, LIBOR + 3.250%, due 01/15/12 | | 951,280 |
| | | | <u>1,155,280</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--------------------|--|----|-------------------|
| Amount | Corporate Fixed Income Securities (continued) | | Fair Value |
| | Building and Development | | |
| \$ 125,000 | Esco Corp., Senior Unsecured, 8.625%, due 12/15/13 | \$ | 88,750 |
| 336,000 | Ply Gem Industries, Inc., Senior Subordinated, 9.000%, due 02/15/12 | | 83,160 |
| | | | <u>171,910</u> |
| | Cable Television | | |
| 2,075,999 | Kabel Deutschland GmbH, Senior Secured, LIBOR + 7.000%, due 11/10/14 (a) | | <u>1,359,509</u> |
| | Chemical/Plastics | | |
| 340,000 | Berry Plastics Holding Corporation, Senior Secured, LIBOR + 3.875%, due 09/15/14 | | 119,000 |
| 714,579 | Lucite International Luxembourg Finance S.à.r.l., Senior Secured, LIBOR + 9.000%, due 07/07/14 (a) | | 791,829 |
| | | | <u>910,829</u> |
| | Conglomerates | | |
| 89,847 | Travelport Holdings Limited, Senior Secured, LIBOR + 7.500%, due 03/27/12 | | <u>21,983</u> |
| | Containers and Glass Products | | |
| 630,000 | Impress Group B.V., Senior Secured, EURIBOR + 3.125%, due 09/15/13 (a) | | 675,871 |
| 2,880,000 | Plastipak Holdings, Senior Unsecured, 8.500%, due 12/15/15 | | 1,958,400 |
| | | | <u>2,634,271</u> |
| | Ecological Services and Equipment | | |
| 2,500,000 | Casella Waste Systems, Inc., Senior Subordinated, 9.750%, due 02/01/13 | | 2,025,000 |
| 430,000 | WCA Waste Corporation, Senior Unsecured, 9.250%, due 06/15/14 | | 322,500 |
| | | | <u>2,347,500</u> |
| | Electronic/Electric | | |
| 975,000 | Nortel Networks, Ltd., Senior Unsecured, 10.125%, due 07/15/13 | | 258,375 |
| 380,000 | Nortel Networks, Ltd., Senior Unsecured, 10.750%, due 07/15/16 | | 102,600 |
| 2,660,000 | Sensata Technologies B.V., Senior Unsecured, 8.000%, due 05/01/14 | | 1,223,600 |
| 2,900,000 | Sensata Technologies B.V., Senior Subordinated, 9.000%, due 05/01/16 (a) | | 1,155,282 |
| 2,500,000 | Viasystems Group, Inc., Senior Subordinated, 10.500%, due 01/15/11 | | 1,825,000 |
| | | | <u>4,564,857</u> |
| | Equipment Leasing | | |
| 460,000 | Rental Service Corporation, Senior Unsecured, 9.500%, due 12/01/14 | | <u>257,600</u> |
| | Food Services | | |
| 3,770,000 | Church's Chicken, Senior Secured, 12.500%, due 12/31/11 | | 3,811,847 |
| 481,000 | Vicorp Restaurants, Inc., Senior Unsecured, 10.500%, due 04/15/11* | | 4,810 |
| | | | <u>3,816,657</u> |
| | Healthcare | | |
| 201,983 | CRC Health Corporation, Senior Unsecured, LIBOR + 8.000%, due 02/06/13 | | <u>100,932</u> |
| | Industrial Equipment | | |
| 1,660,000 | Douglas Dynamics, LLC, Senior Unsecured, 7.750%, due 01/15/12 | | <u>913,000</u> |
| | Leisure | | |
| 5,643,000 | Warner Music Group, Senior Unsecured, Step Up, 0% until 12/15/09 and then 9.500%, due 12/15/14 | | <u>2,172,555</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** Amount | Corporate Fixed Income Securities (continued) | Fair Value |
|-----------------------|---|-------------------|
| | Nonferrous Metals/Minerals | |
| \$ 420,000 | Aleris International, Inc., Senior Unsecured, 9.000%, due 12/15/14 | \$ 33,600 |
| | Oil and Gas | |
| 3,320,000 | SemCrude, L.P, Senior Unsecured, 8.750%, due 11/15/15* | 132,800 |
| | Retailers (other than food/drug) | |
| 360,000 | Dollarama Group, LP, Senior Subordinated, LIBOR + 5.750%, due 08/15/12 | 225,000 |
| | Telecommunications/Cellular communications | |
| 3,200,000 | Aeroflex Incorporated, Senior Unsecured, 11.750%, due 02/15/15 | 2,112,000 |
| 332,779 | Wind Acq Holdings Finance S.A, Senior Secured, LIBOR + 7.250%, due 12/21/11 | 203,162 |
| | | 2,315,162 |
| | Total Corporate Fixed Income Securities (Cost \$47,734,194) | 25,804,754 |
| | Structured Investments (11.8% of Total Investments) | |
| 5,000,000 | Castle Hill I - INGOTS, Ltd., Subordinated Interest, due 12/03/14 | 2,939,000 |
| 45,000,000 | Castle Hill II - INGOTS, Ltd., Subordinated Interest, due 10/15/14 | 31,270,500 |
| 2,650,000 | Castle Hill III CLO, Limited, Class C - 1, due 09/15/15 | 450,500 |
| 1,100,000 | Castle Hill III CLO, Limited, Class C - 2, due 09/15/15 | 323,070 |
| 1,145,000 | Eastland CLO, Ltd., Class C Notes, due 05/01/22 | 126,866 |
| 5,000,000 | Race Point CLO, Ltd., Subordinated Interest, due 11/20/14 | 2,138,000 |
| | Total Structured Investments (Cost \$55,700,736) | 37,247,936 |
| | Limited Partnerships (5.2% of Total Investments) | Fair Value |
| | CCG CI, Limited Liability Company | 1,208,796 |
| | General Catalyst, Limited Partnership Interest | 22,107 |
| | Goldman Sachs Capital Partners 2000, Limited Partnership Interest | 2,575,516 |
| | Goldman Sachs Mezzanine Partners II, Limited Partnership Interest | 1,193,020 |
| | Thomas H. Lee Equity Fund V, Limited Partnership Interest | 4,774,675 |
| | VVPA, Limited Partnership Interest | 273,447 |
| | Welsh, Carson, Anderson & Stowe IX, Limited Partnership Interest | 3,251,018 |
| | Welsh, Carson, Anderson & Stowe VIII, Limited Partnership Interest | 3,286,788 |
| | Total Limited Partnerships (Cost \$19,146,070) | 16,585,367 |
| | Mezzanine (9.6% of Total Investments) | |
| | Automotive | |
| 1,919,046 | Auction Broadcasting Company, Senior Note, 14.000%, due 04/30/09 (f) | 1,861,475 |
| | Food Products | |
| 3,658,459 | Harvest Time Bread Company, Senior Unsecured, 7.500% | 2,926,767 |
| 950,000 | Harvest Time Bread Company, Senior Unsecured, Zero Coupon | 760,000 |
| 697,658 | Portuguese Baking Company, LP, Senior Subordinated, 16.000%, due 11/09/10* | 697,658 |
| 138,458 | Portuguese Baking Company, LP, Senior Subordinated, LIBOR, due 11/09/10 | 138,458 |
| 136,591 | Portuguese Baking Company, LP, Senior Subordinated, LIBOR, due 11/09/10 | 136,591 |
| 2,515,241 | Shari's, Senior Subordinated, 15.000%, due 12/28/12 | 2,153,046 |
| | | 6,812,520 |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Principal** | | | |
|--------------------|---|----|--------------------------|
| Amount | Mezzanine (continued) | | Fair Value |
| | Healthcare | | |
| \$ 11,676,005 | American Institute of Gastric Banding, Ltd., Senior Secured, LIBOR + 5.000%, due 10/14/09 | \$ | 11,676,005 |
| 1,315,872 | American Institute of Gastric Banding, Ltd., Senior Secured, LIBOR + 5.000%, due 10/14/09 | | 1,315,872 |
| 912,081 | Liberty Dialysis, Senior Secured, LIBOR + 2.250%, due 09/17/11 | | 849,147 |
| | | | <u>13,841,024</u> |
| | Leisure | | |
| 1,436,695 | Foto Fantasy, Inc., Secured Senior Subordinated, LIBOR + 10.000%, due 12/31/11 | | 1,387,847 |
| 1,969,949 | Harlem Globetrotters International, Inc., Senior Secured, LIBOR + 7.500%, due 09/21/11 | | 1,388,814 |
| | | | <u>2,776,661</u> |
| | Retailers (other than food/drug) | | |
| 151,501 | MacGregor Golf Company, Junior Unsecured, LIBOR, due 03/04/11 | | - |
| 624,916 | MacGregor Golf Company, Senior Secured, LIBOR + 5.500%, due 11/20/11 | | 312,458 |
| 7,457,048 | Motorsports Investment Group, Inc., 14.350%, due 03/31/14 (h) | | 3,728,524 |
| 825,946 | Motorsports Investment Group, Inc., Zero Coupon, due 03/31/14 (h) | | 412,973 |
| 799,149 | Work 'N Gear, Inc., Senior Subordinated, Zero Coupon, due 07/20/10 | | 652,905 |
| | | | <u>5,106,860</u> |
| | Total Mezzanine (Cost \$34,376,493) | | <u>30,398,540</u> |
| Number of | Common Stock (2.4% of Total Investments) | | Fair Value |
| Shares | | | |
| | Air Transportation | | |
| 2,008 | Atlas Air Worldwide Holdings | | <u>37,951</u> |
| | Automotive | | |
| 48,342 | BHM Technologies, LLC | | - |
| 1,028,571 | Keystone Automotive Operations, Inc., Class A | | - |
| 114,286 | Keystone Automotive Operations, Inc., Class L | | - |
| | | | <u>-</u> |
| | Building and Development | | |
| 6,316 | Armstrong World Industries, Inc. | | <u>136,552</u> |
| | Business Equipment and Services | | |
| 121 | Katun, Corp., Class A (c) | | <u>-</u> |
| | Chemical/Plastics | | |
| 62 | Novacap (d) | | <u>117,122</u> |
| | Containers and Glass Products | | |
| 1,974 | Hilex Poly Co., LLC | | - |
| 10,029 | Trespaphan, Class A | | - |
| 9,026 | Trespaphan, Class L | | - |
| | | | <u>-</u> |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
Schedule of Investments (in Liquidation)
December 31, 2008

| Number of Shares | Common Stock (continued) | Fair Value |
|---------------------|---|-------------------------|
| | Electronic/Electric | |
| 297,810 | DDi, Corp. | \$ 917,254 |
| 145,080 | Solarwinds (g) | 1,421,784 |
| | | <u>2,339,038</u> |
| | Food Products | |
| 272,250 | Harvest Time Bread Company | 814,163 |
| 6,706 | Horizon Food Group, Inc. | - |
| 17,778 | Shari's | - |
| | | <u>814,163</u> |
| | Home Furnishings | |
| 59,968 | Mattress Discounters | - |
| | Industrial Equipment | |
| 113,605 | Bombardier Recreational Products, Inc., Class A (e) | 1,533,668 |
| 951,175 | Bombardier Recreational Products, Inc., Class L (e) | 170,408 |
| | | <u>1,704,076</u> |
| | Leisure | |
| 3,001,233 | Foto Fantasy, Inc. | 1,500,617 |
| 68,850 | The Firm, Inc. (b) | 42,781 |
| 344,143 | Warner Music Group (b) | 831,449 |
| | | <u>2,374,847</u> |
| | Retailers (other than food/drug) | |
| 1,562 | MacGregor Golf Company | - |
| 20,726 | Work 'N Gear, Inc. | - |
| | | <u>-</u> |
| | Telecommunications/Cellular communications | |
| 2,632 | Rogers Communications, Inc., Class B | 96,322 |
| | Total Common Stock (Cost \$25,402,716) | <u>7,620,071</u> |
| | Preferred Stock (1.5% of Total Investments) | |
| | Automotive | |
| 579 | BHM Technologies, LLC | - |
| 434 | Hayes Lemmerz International, Inc. | 1,497 |
| | | <u>1,497</u> |
| | Business Equipment and Services | |
| 94 | Katun, Corp., Series A (c) | - |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
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December 31, 2008

| Number of Shares | Preferred Stock (continued) | Fair Value |
|---------------------|---|-----------------------|
| | Chemical/Plastics | |
| 294 | Novacap, Convertible (d) | \$ 555,383 |
| | Electronic/Electric | |
| 145,080 | Solarwinds (g) | 1,421,784 |
| | Financial Intermediaries | |
| 73,995 | Village Ventures, Series A | 116,912 |
| 28,342 | Village Ventures, Series B | 77,941 |
| | | 194,853 |
| | Food Products | |
| 924 | Horizon Food Group, Inc., Series B1 | 20,392 |
| 924 | Horizon Food Group, Inc., Series B2 | 24,475 |
| 1,776 | Portuguese Baking Company, L.P, Series A-1 | 1,247,831 |
| 375 | Shari's, Series A | 347,246 |
| 620 | Shari's, Series B | 300,706 |
| | | 1,940,650 |
| | Healthcare | |
| 365,045 | Liberty Dialysis, Series A-2 | 357,744 |
| | Retailers (other than food/drug) | |
| 619,131 | Work 'N Gear, Inc., Series A | 136,209 |
| | Total Preferred Stock (Cost \$4,051,389) | 4,608,120 |
| | Warrants (0.0% of Total Investments) | |
| | Food Products | |
| 16,585 | Horizon Food Group, Inc. | \$ 829 |
| 506,130 | Portuguese Baking Company, L.P, Series 1 | - |
| 405,811 | Portuguese Baking Company, L.P, Series 2 | - |
| 313,813 | Portuguese Baking Company, L.P, Series 3 | - |
| 58 | Shari's, B Pref & Common Warrants | 2,665 |
| 7,016 | Shari's, Common Stock Warrants | - |
| | | 3,494 |
| | Home Furnishings | |
| 4,000 | Mattress Discounters Holdings, LLC | - |
| | Nonferrous Metals/Minerals | |
| 125 | National Coal | - |
| | Total Warrants (Cost \$407,331) | 3,494 |
| | Total Investments (Cost \$520,998,850) | \$ 316,460,309 |

The accompanying notes are an integral part of these financial statements

Sankaty High Yield Partners II, L.P.
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| Notional Amount | Interest Rate Swaps | |
|--------------------|--|-------------|
| \$(25,000,000) | Deutsche Bank Interest Rate Swap, 5.494%, due 04/28/11 | - |
| | Total Interest Rate Swaps (Cost \$0) | \$ - |

- * Indicates a security that is not currently making coupon payments.
 ** Principal amount in U.S. Dollars unless otherwise indicated.
 (a) Security Principal amount is denominated in Euro
 (b) Investments held via Bain Capital Integral Investors, LLC
 (c) Investments held via PNA Holding, LLC and Sankaty Integral Investors, LLC
 (d) Investments held via Novacap Luxembourg SCA
 (e) Investments held via Bain Capital Integral Investors II, LLC
 (f) Investments held via ABC Holding Co.
 (g) Investments held via Bain Capital Venture Integral Investors
 (h) Investments held via Motorsport Investment Holdings Group, LLC

The geographical categorization by country of issuer of the value of investments is as follow:

| | |
|----------------|---------------|
| USA | 77.5% |
| Cayman Islands | 10.8% |
| Other | 11.7% |
| | <u>100.0%</u> |

The accompanying notes are an integral part of these financial statements

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1. Description of Partnership

Sankaty High Yield Partners II, L.P. (the "Partnership"), a Delaware limited partnership, was established for the purpose of acquiring and managing a diverse portfolio of primarily below investment-grade assets consisting of senior bank debt, corporate fixed income securities, structured debt instruments, limited partnerships, mezzanine investments, equity securities and certain other investments. The Partnership was organized and commenced operations on November 23, 1999, and was originally scheduled to terminate on November 30, 2009, unless certain extension or early termination options provided for by the Amended and Restated Agreement of Limited Partnership dated November 23, 1999 (the "Partnership Agreement") were activated. Through the extension option noted above, the General Partner has extended the life of the fund through the liquidation of the Partnership. The General Partner of the Partnership is Sankaty High Yield Asset Investors II, LLC (the "General Partner"), a Delaware limited liability company, whose managing member is Sankaty Investors II, LLC, a Delaware limited liability company. The General Partner is required to contribute 1% of the aggregate contributed capital of the Partnership.

The Partnership has \$134 million of primary capital subscriptions, which have been fully funded, and \$214 million and \$642 million of debt financing commitments at December 31, 2009 and 2008, respectively, of which approximately \$214 million and \$402 million were outstanding at December 31, 2009 and 2008, respectively (see Notes 7 and 8). The debt financing commitments subject the Partnership to certain covenants, including, but not limited to, limitations on the total amount of indebtedness of the Partnership, certain restrictions on payments, and requirements concerning compliance with certain financial tests and investment policies.

The General Partner, at its sole discretion, may from time to time require certain additional capital contributions ("Revolving Capital"), as defined in the Partnership Agreement, not to exceed 33 1/3% of each partner's primary capital subscription. The General Partner may elect to call and/or paydown the Revolving Capital at any time, subject to certain limitations. As of December 31, 2009 and 2008, there was \$44.7 million and \$44.7 million revolving capital outstanding, respectively.

Commerzbank AG served as the Partnership's administrative agent with respect to the Senior Facility (as defined in Note 7) among the syndicate of lenders, for which it received an annual fee from the Partnership. The Bank of New York Mellon Trust Company serves as the Partnership's custodian and also serves as the trustee under the Indenture dated May 23, 2005 (the "Indenture") for which it receives fees from the Partnership.

On October 8, 2008, the Partnership defaulted on certain covenants of its Notes Payable Indenture which accelerated the principal payment of the Notes (see Note 8). Based on the acceleration and the net assets of the Partnership at this time, the General Partner determined that liquidation of the Partnership was imminent. As a result, the Partnership adopted a liquidation basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values, liabilities are stated at their settlement amount and all expenses at liquidation have been estimated and recognized. The effect of adopting the liquidation basis of accounting for the years ended December 31, 2009 and 2008 is \$2,001,232 and \$1,512,500, respectively, which is included within professional fees and operating expenses on the Statement of Operations for the year ended December 31, 2009 and 2008. This relates to estimated expenses to be incurred through the liquidation date. Additionally, the Partnership has not disclosed the ratio of net investment income or total expenses to average limited partners' capital and the total return of the Partnership. No estimates of future interest expense, management fees, or commitment fees are included within the Statement of Operations for the years ended December 31, 2009 and 2008.

The financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities should the Partnership be unable to continue as a going concern. However, due to the violation of covenants and waiver of these covenants by the Noteholders, the Partnership began selling investments and using the proceeds to meet the acceleration

Sankaty High Yield Partners II, L.P.
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of the principal payments in accordance with the Pledge and Intercreditor Agreement. The General Partner will continue the process of selling investments and making principal payments until all investments have been sold or all Notes have been paid off.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates, and such differences could be material. Events or transactions occurring after period end through the date that the financial statements were issued, March 16, 2010, have been evaluated in preparation of the financial statements.

Valuation of Investments

The Investment Advisor (as defined in Note 9), in consultation with the General Partner, fair values the investments owned by the Partnership. Corporate fixed income securities are generally fair valued based on the "high bid average" price obtained from an Approved Pricing Service (as defined in the Indenture). Senior bank debt investments are generally fair valued based on the "mean of mean" price obtained from an Approved Pricing Service. Public equities are generally fair valued based on the closing price listed on an Approved Exchange (as defined in the Indenture) or, if unavailable, at the last bid price for long positions and last ask price for short positions. For additional information related to derivative instruments utilized, please see the following footnotes: Footnote 3, 4, 5 and 6.

Investments that cannot be valued, as described above, are either priced by an investment bank or are valued at fair value as determined in good faith by the General Partner. In determining the fair value of an investment, the General Partner considers such factors as financial statements, earnings forecasts, recent transactions in the same or similar securities and valuation information obtained from broker-dealers, recognized quotation services or independent appraisal firms. The value assigned to these investments is based upon available information and does not necessarily represent the amount which might ultimately be realized upon sale. Equity investments in structured financing vehicles (such as CLOs) are fair valued by the General Partner using a model that utilizes inputs determined by the General Partner to discount present value of future cash flows from the investment. Investments in Limited Partnerships are valued as the Partnership's proportionate investment in the net assets of the Limited Partnership at fair value.

The General Partner determines the fair value of certain securities, including certain structured investments, held by the Partnership on the basis of prices provided by principal market makers. Due to the inherent uncertainty of valuation, this estimated fair value may differ from the value that would have been used had a ready market for the security existed, and the difference could be material.

The definition of "fair value" for the purposes of accounting principles generally accepted in the United States of America can and will differ from that used within the covenants of the Partnership's debt financing commitments.

Cash and Cash Equivalents

Included in cash and cash equivalents at December 31, 2009 and 2008 is \$14,878,838 and \$2,852,466, respectively, invested overnight in highly liquid money market investment vehicles. As of December 31, 2009 and 2008, the interest rates for these vehicles were 0.01% and 1.58% respectively. Cash balances are presented gross of amounts due to retail banks, custodial banks and prime brokers.

Investment Transactions and Related Income

Investment transactions are accounted for on the trade date. Realized gains and losses on security transactions are determined using the specific identification method.

Interest income (net of applicable withholding tax) is recorded on the accrual basis. Certain fees received or paid on bank loans are recorded as a cost basis adjustment or as income. Dividend income is recorded

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on the ex-dividend date net of withholding taxes. Distributions from collateralized debt obligations are recorded as dividend income on the Statement of Operations during the collateralized debt obligation's reinvestment period. Subsequent to this reinvestment period, distributions are recorded as a return of capital. Dividend and interest paid in the form of additional shares or par value is recorded at current value. Premiums and discounts on securities purchased are amortized using the effective yield method over the life of the respective security when cash collection is expected and are included in interest income. Discounts on securities with fair values below 50% of par are not amortized. For the Partnership's investments in revolving bank loans, the cost basis of the investments purchased are adjusted for the cash received for the discount on the total balance committed. The fair value is also adjusted for price appreciation or depreciation on the unfunded portion. As a result, the purchase of commitments not completely funded may result in a negative value until it is offset by the future amounts called and funded.

In some cases, the Partnership invests in securities directly and indirectly through one or more holding companies or other entities in which other parties affiliated with the Partnership may also be investors. In such cases, the Schedule of Investments indicates such relationships and reflects the Partnership's share of the underlying investment.

Restricted Securities

The Partnership is permitted to invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. At December 31, 2009 and 2008, the fair value of restricted securities (excluding 144A issues) amounted to \$33,555,546 and \$85,629,815, respectively.

Income Taxes

As a partnership, the Partnership itself is not subject to U.S. Federal income taxes. Each Partner is individually liable for income taxes, if any, on its share of the Partnership's net taxable income. Interest, dividends and other income realized by the Partnership from non-US sources and capital gains realized on the sale of securities of non-U.S. issuers may be subject to withholdings and other taxes levied by the jurisdiction in which the income is sourced.

For foreign partners invested in the Partnership, a reduction in capital could be made for withholding taxes (30% or lower treaty rate) on their allocable share of dividends as well as certain interest and other income received by the Partnership from sources within the United States.

On January 1, 2009, the Partnership adopted an accounting standard which required the Investment Advisor to determine whether tax positions of the Partnership are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Investment Manager has determined that there were no tax positions which met the recognition and measurement requirements of the accounting standard, and therefore, the Partnership did not record an expense related to uncertain positions on the Partnership's Statement of Operations for the year-ended December 31, 2009.

The Partnership files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Partnership is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of December 31, 2009, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2006 forward (with limited exceptions).

Deferred Financing Costs

Costs incurred in connection with issuance of the Senior Facility and Notes Payable (See Notes 7 and 8) are included in deferred financing costs, net of accumulated amortization, prior to the default. These costs are

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being amortized over the expected lives of the applicable issues. As of December 31, 2009 and December 31, 2008, all of the costs associated with issuance of the Senior Facility and Notes Payable had been paid.

During the year ended December 31, 2008, in connection with the covenant violations, the Partnership expensed the remaining unamortized issuance costs under the liquidation basis of accounting, and incurred a loss of \$709,304, which is included as realized loss on debt financing in the Statement of Operations for the year ended December 31, 2008.

Foreign Currency Translation

The accounting records of the Partnership are maintained in U.S. dollars. The fair values of foreign securities, currency holdings and other assets and liabilities are translated to U.S. dollars based on the current exchange rates each business day. Income and expenses denominated in foreign currencies are translated at current exchange rates when accrued or incurred. Unrealized gains and losses on foreign currency holdings and non-investment assets and liabilities attributable to the change in exchange rates are included in foreign currency translation in the Statement of Operations. Net realized gains and losses on foreign currency holdings and non-investment assets and liabilities are included in net realized gain on foreign currency transactions in the Statement of Operations.

The portion of both realized and unrealized gains and losses on investments that result from fluctuations in foreign currency exchange rates is not separately disclosed, but is included in net realized and unrealized gains on investments in the Statement of Operations. Realized and unrealized foreign currency exchange gains and losses on non-U.S. dollar denominated borrowings and cash are included in net realized loss on foreign currency translation and net increase in unrealized depreciation from foreign currency translation, respectively, in the Statements of Operations. The Partnership utilizes multi-currency borrowings to hedge its exposure to currency risk when purchasing like-denominated assets.

Interest Rate Swaps and Total Return Swaps

The Partnership enters into interest rate or total return swap contracts to increase or decrease its exposure to changes in the level of interest rates or underlying asset values. Interest rate swaps involve the exchange by the Partnership with another party of their respective commitments to pay or receive interest at specified intervals based on a notional amount of principal, e.g. an exchange of floating rate payments for fixed payments with respect to a notional amount of principal. Total return swaps involve commitments to pay interest in exchange for a return on a basket of securities both based on notional amounts. To the extent the total return of the basket of securities underlying the transaction exceeds or falls short of the offsetting interest rate obligation, the Partnership will receive payment from or make a payment to the counterparty, respectively.

3. Recent Accounting Pronouncements

FASB Accounting Standards Codification™ ASC 105-10

In June 2009, the FASB issued FASB ASC 105-10, *The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles*, (formerly SFAS 168). FASB ASC 105-10 replaces the SFAS 162, *The Hierarchy of Generally Accepted Accounting Principles*, and establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with GAAP. The Codification became the exclusive authoritative reference at September 30, 2009. Updates to the Codification Standards are issued as Accounting Standard Updates ("ASU"s) by the FASB. The adoption of the Codification does not impact the Partnership's financial statements except for references made to authoritative accounting literature in the footnotes.

FASB Accounting Standards Codification™ ASC 815-10-50

The Partnership adopted amendments to the authoritative guidance on disclosures about derivative instruments and hedging activities on January 1, 2009. The new requirement amends and expands the disclosure requirement related to derivative instruments, to provide users of financial statements with an enhanced understanding of the use of derivative instruments by the Partnership and how these derivatives affect the financial position, financial performance and cash flows of the Partnership. This Statement

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requires qualitative disclosures about the objectives and strategies for using derivative instruments, quantitative disclosures about the fair value of, and gains and losses on, derivative instruments.

The standard enhances the disclosure requirements for derivative instruments and related hedging activities and thus, the adoption of the standard had no impact on the Statements of Net Assets, Statements of Operations or the Statements of Changes in Net Assets. The Partnership does not designate any derivative instruments as hedging instruments under the authoritative guidance.

The Partnership transacts swaps primarily for trading purposes with each instrument's primary risk exposure being interest rate and credit risk. There are no outstanding derivative instruments as of December 31, 2009.

The following table indicates the gains and losses on derivatives, by contract type, as included in the Statements of Operations for the year ended December 31, 2009.

The loss recognized in the Statements of Operations related to derivatives were:

| <i>(Dollars in thousands)</i> | For the year ended December 31, 2009 | |
|-------------------------------|---|----------------|
| Interest rate contracts | \$ | (2,325) |
| Total | <u>\$</u> | <u>(2,325)</u> |

The above loss on derivatives has been recognized as realized on the Statements of Operations.

The significant accounting policies relating to recording of derivatives and related gain/ (loss) have been summarized in footnote 2 of the financial statements.

By using derivative instruments, the Partnership is exposed to the counterparty's credit risk - the risk that derivative counterparties may not perform in accordance with the contractual provisions offset by the value of any collateral received. The Partnership's exposure to credit risk associated with counterparty non-performance is limited to collateral posted and the unrealized gains inherent in such transactions that are recognized in the Statements of Net Assets. The Partnership minimizes counterparty credit risk through, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate. The Partnership records counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty.

4. Fair Value Measurements

In accordance with authoritative guidance on fair value measurements and disclosures under GAAP, the Partnership discloses the fair value of its investments in a hierarchy which prioritizes and ranks the level of market price observability used in measuring assets or liabilities at fair value. Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Assets or liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The

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Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of financial instruments within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk of that instrument.

In determining an asset or liability's placement within the hierarchy, the General Partner separates the Partnership's investment portfolio into major categories. Each of these categories can further be divided between those held long or short.

Assets or liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. The type of assets or liabilities classified as Level I includes listed equities.

Level II – Inputs are other than quoted prices that are observable for the asset or liabilities either directly or indirectly, including inputs in markets that are not considered to be active. Certain investments, exchange traded and over-the-counter derivatives, including interest rate swaps, are fair valued by the General Partner using observable inputs, such as quotations received from pricing services that use model based pricing. In instances where models are used, the value of an over-the-counter derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include yield curves and measures of volatility. Certain exchange traded and over-the-counter derivatives, such as generic swaps, have inputs which can generally be corroborated by market data and are therefore classified within Level II. Investments that trade in markets that are not considered to be active, but are valued on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level II. Assets or liabilities which are generally included in this category include corporate fixed income and senior bank debt where there is sufficient market activity for the investment, less liquid and restricted equity securities and certain exchange traded and over-the-counter derivatives.

Level III – Investments and derivative instruments classified within Level III have significant unobservable inputs, as they trade infrequently or not at all. Level III instruments include any private equity investments, certain senior bank debt, less liquid corporate fixed income securities (including distressed debt instruments), mezzanine securities, and structured investments. When observable prices are not available for these securities, the General Partner uses one or more valuation techniques (e.g., the market approach or the income approach) for which sufficient and reliable data is available. Within Level III, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the General Partner in estimating the fair value of Level III investments include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Certain Level III investments, such as structured investments, utilize models which rely on assumptions determined by the General Partner. Level III investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of Level III investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations. Assets or liabilities which are generally included in this category include limited partnership interests, CDOs, privately placed debt, and privately placed equity, bonds and loans for which there are no observable inputs. At each measurement date, the General Partner updates the Level I and Level II inputs

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to reflect observable inputs, though the resulting gains and losses are reflected within Level III due to the significance of the unobservable inputs.

The following tables summarize the valuation of the Partnership's assets or liabilities by the above fair value hierarchy levels as of December 31, 2009 and 2008:

| Assets at Fair Value as of December 31, 2009 (in thousands) | | | | |
|--|-----------|-----------|------------|------------|
| | Level I | Level II | Level III | Total |
| Cash Equivalents | \$ 14,879 | \$ - | \$ - | \$ 14,879 |
| Investments: | | | | |
| Corporate Fixed Income | - | 16,596 | 30 | 16,626 |
| Senior Bank Debt | - | 70,943 | 11,761 | 82,704 |
| Mezzanine | - | - | 27,070 | 27,070 |
| Preferred Stock | - | - | 3,036 | 3,036 |
| Limited Partnerships | - | - | 16,708 | 16,708 |
| Stock Warrants | - | - | - | - |
| Structured Investments | - | - | 42,125 | 42,125 |
| Common Stock | 6,213 | - | 5,522 | 11,735 |
| Total | \$ 21,092 | \$ 87,539 | \$ 106,252 | \$ 214,883 |

| Assets at Fair Value as of December 31, 2008 (in thousands) | | | | |
|--|----------|------------|------------|------------|
| | Level I | Level II | Level III | Total |
| Cash Equivalents | \$ 2,852 | \$ - | \$ - | \$ 2,852 |
| Investments: | | | | |
| Corporate Fixed Income | - | 25,602 | 203 | 25,805 |
| Senior Bank Debt | - | 175,034 | 19,158 | 194,192 |
| Mezzanine | - | - | 30,399 | 30,399 |
| Preferred Stock | - | - | 4,608 | 4,608 |
| Limited Partnerships | - | - | 16,585 | 16,585 |
| Stock Warrants | - | - | 3 | 3 |
| Structured Investments | - | - | 37,248 | 37,248 |
| Common Stock | 2,020 | - | 5,601 | 7,621 |
| Total | \$ 4,872 | \$ 200,636 | \$ 113,805 | \$ 319,313 |

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The following table's present changes in assets or liabilities that use Level III inputs for the periods ended December 31, 2009 and 2008:

| <i>(in thousands)</i> | Balance as of 12/31/2008 | Net change in unrealized gains (losses) | Net realized gains (losses) | Net purchases, sales, or redemptions | Net transfers into and/or (out of) Level III | Balance as of 12/31/2009 |
|------------------------|--------------------------------|---|--------------------------------|--|--|--------------------------------|
| Investments: | | | | | | |
| Corporate Fixed Income | \$ 203 | \$ 129 | \$ 12 | \$ (344) | \$ 30 | \$ 30 |
| Senior Bank Debt | \$ 19,158 | \$ 29,279 | \$ (6,020) | \$ (24,273) | \$ (6,383) | \$ 11,761 |
| Mezzanine | \$ 30,399 | \$ (1,546) | \$ (617) | \$ (1,166) | | \$ 27,070 |
| Preferred Stock | \$ 4,608 | \$ (1,265) | \$ 192 | \$ (499) | | \$ 3,036 |
| Limited Partnerships | \$ 16,585 | \$ 507 | \$ 39 | \$ (423) | | \$ 16,708 |
| Stock Warrants | \$ 3 | \$ (3) | \$ - | \$ - | | \$ - |
| Structured Investments | \$ 37,249 | 5,061 | - | (185) | | 42,125 |
| Common Stock | \$ 5,600 | \$ (6,889) | \$ (2,875) | \$ 9,686 | | \$ 5,522 |
| Total | \$ 113,805 | \$ 25,273 | \$ (9,269) | \$ (17,204) | \$ (6,353) | \$ 106,252 |

| <i>(in thousands)</i> | Balance as of 12/31/2007 | Net change in unrealized gains (losses) | Net realized gains (losses) | Net purchases, sales, or redemptions | Net transfers into and/or (out of) Level III | Balance as of 12/31/2008 |
|------------------------|--------------------------------|---|--------------------------------|--|--|--------------------------------|
| Investments: | | | | | | |
| Corporate Fixed Income | \$ 7,266 | \$ 172 | \$ 208 | \$ (3,318) | \$ (4,125) | \$ 203 |
| Senior Bank Debt | \$ 50,023 | \$ 13,135 | \$ (3,544) | \$ (40,456) | | \$ 19,158 |
| Mezzanine | \$ 48,901 | \$ (3,429) | \$ 503 | \$ (15,575) | | \$ 30,400 |
| Preferred Stock | \$ 16,674 | \$ (12,600) | \$ 12,572 | \$ (12,063) | \$ 25 | \$ 4,608 |
| Limited Partnerships | \$ 62,708 | \$ (31,579) | \$ 23,128 | \$ (37,672) | | \$ 16,585 |
| Stock Warrants | \$ 196 | \$ (193) | \$ - | \$ - | | \$ 3 |
| Structured Investments | \$ 74,056 | (7,615) | (1,330) | (27,864) | | 37,247 |
| Common Stock | \$ 13,402 | \$ (15,985) | \$ 1,336 | \$ 6,848 | | \$ 5,601 |
| Total | \$ 273,226 | \$ (58,094) | \$ 32,873 | \$ (130,100) | \$ (4,100) | \$ 113,805 |

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All net realized and unrealized gains (losses) in the table above are reflected in the accompanying statement of operations. During the year ended December 31, 2009, there were \$6,232,095 of unrealized losses on investments classified as Level III as December 31, 2009. See Note 2 for the Partnership's valuation techniques used to measure fair value.

Effective January 1, 2009, the Partnership adopted the authoritative guidance under GAAP on determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly. Accordingly, if the Partnership determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. Valuation techniques such as an income approach might be appropriate to supplement or replace a market approach in those circumstances. The guidance also provides a list of factors to determine whether there has been a significant decrease in relation to normal market activity. Regardless, however, of the valuation technique and inputs used, the objective for the fair value measurement in those circumstances is unchanged from what it would be if markets were operating at normal activity levels and/or transactions were orderly; that is, to determine the current exit price.

The Partnership has also adopted the authoritative guidance under GAAP for estimating the fair value of investments in investment companies that have calculated net asset value per share in accordance with the specialized accounting guidance for Investment Companies. Accordingly, in circumstances in which net asset value per share of an investment is not determinative of fair value, the Partnership estimates the fair value of an investment in an investment company using the net asset value per share of the investment (or its equivalent) without further adjustment, if the net asset value per share of the investment is determined in accordance with the specialized accounting guidance for Investment Companies as of the reporting entity's measurement date. The adoption of this guidance does not have a material effect on the financial statements.

The Partnership invests in various private equity funds. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The partnership may not withdraw from the fund at its discretion. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over 5 to 8 years. The fair value of each individual investment has been estimated using the reported partners' capital balance of the investment as reported in the schedule of investments.

There have been no significant changes in valuation techniques and related inputs used by the General Partner during the year ended December 31, 2009.

5. Market and Credit Risks of Debt Securities

The Partnership's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The significant types of financial risks to which the Partnership is exposed are listed above.

Market Risk

Market risk encompasses the potential for both losses and gains and includes price risk, currency risk and interest rate risk. The fair value of the investments will generally fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of certain financial markets, developments or trends in any particular industry and the financial condition of the issuers. During periods of limited liquidity and higher price volatility, the Partnership's ability to dispose of investments at a price and time that the Partnership deems advantageous may be impaired.

Price Risk

The prices of securities held by the Partnership may decline in response to certain events, including those directly involving the companies whose securities are owned by the Partnership; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations.

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Currency Risk / Foreign Markets Risks

The Partnership may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, the Partnership may be exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of that portion of the Partnership's assets or liabilities denominated in currencies other than the functional currency.

The Partnership may have investments in various countries, including emerging market countries. Investments in these countries involve risks, including, but not limited to, risks relating to adverse political, social, and economic developments in other countries, as well as risks resulting from the differences between the regulations to which issuers and markets are subject in different countries. These risks may include expropriation of assets, confiscatory taxation, withholding taxes on dividends and interest paid on Partnership investments, currency exchange controls, and other limitations on the use or transfer of Partnership assets and political or social instability. Such investments may also involve currency exchange rate risks. There may be rapid changes in the value of foreign currencies or securities, causing the fair value of Partnership investments to be volatile.

Interest Rate Risk

Interest rate risk refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly and directly. In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree. Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules. The interest rate hedging transactions subject the Partnership to off balance-sheet risks, which include counterparty credit risk. The Partnership manages this exposure by entering into interest rate hedging transactions with internationally recognized financial institutions, which are expected to perform under the terms of the contracts, and evaluating the creditworthiness of the institutions by taking into account credit ratings and other factors.

Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting obligations associated with financial liabilities. Among other things, liquidity could be impaired by an inability to access secured and /or unsecured sources of financing.

Leverage Risk

The Partnership uses leverage directly and indirectly. The Partnership currently uses leverage mainly through the issuances of Notes Payable and the Senior Facility. The use of leverage will increase the volatility of the Partnership. While the use of borrowed funds will increase returns if the Partnership earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage will decrease returns if the Partnership fails to earn as much on such incremental investments as it pays for such funds. The effect of leverage may therefore result in a greater decrease in the partners' capital of the Partnership than if the Partnership was not so leveraged.

Financing Risk

In the normal course of business, the Partnership enters into agreements with certain counterparties for OTC derivative transactions. These agreements contain among other conditions events of default and termination events, and various covenants and representations. At certain times during 2008, the Partnership was not in compliance with certain covenants in the agreements. If such events are not cured by the Partnership or waived by the counterparties, the counterparties may decide to curtail or limit extension of credit, and the Partnership may be forced to unwind its derivative positions which may result in material losses. For the year ended December 31, 2009, an interest rate swap was terminated as a result of non-compliance with covenants.

There is no guarantee that the Partnership's borrowing arrangements or other arrangements for obtaining leverage will continue to be available, or if available, will be available on terms and conditions acceptable to the Partnership. Unfavorable economic conditions also could increase funding costs, limits access to the capital markets or result in a decision by lenders not to extend credit to the Partnership. In addition, a

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decline in fair value of the Partnership's assets may have particular adverse consequences in instances where they have borrowed money based on the market value of those assets. A decrease in fair value of those assets may result in the lender (including derivative counterparties) requiring the Partnership to post additional collateral or otherwise sell assets at a time when it may not be in the Partnership's best interest to do so.

Illiquidity of Investments

The Partnership may invest in securities, bank debt and other claims, and other assets, which are subject to legal or other restrictions on transfer or for which no liquid market exists. The market prices, if any, for such investments tend to be volatile and may not be readily ascertainable, and, for various reasons, the Partnership may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. Restricted securities are generally fair valued at a price lower than similar securities that are not subject to restrictions on resale.

Some of the Partnership's investments may be illiquid and the Partnership may not be able to vary the portfolio in response to changes in economic and other conditions. The securities that are purchased in connection with privately negotiated transactions are not registered under the relevant securities laws, which may result in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the relevant registration requirements. Some of the bank loans, mezzanine securities and the structured investments that are purchased and sold are traded in private, unregistered transactions and therefore may be subject to restrictions on resale or otherwise have no established trading market. In addition, as the Partnership will likely be required to liquidate all or a portion of its portfolio quickly to meet debt acceleration requirements, the Partnership may realize significantly less than the fair value at which it previously recorded those investments. The Partnership may from time to time invest in derivative contracts traded over the counter, which are not traded in an organized public market and may be illiquid. Furthermore, the Partnership may face other restrictions in its ability to liquidate an investment in a business entity to the extent that the Partnership have or could be attributed with material non-public information regarding such business entity.

Credit Risk

Credit risk refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, subordination, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an instrument and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. The Partnership is subject to the credit risk of its custodians, prime brokers and counterparties to the extent they may be unable to fulfill their obligations either to return the Partnership's securities or to repay amounts owed. Credit risk is measured by the loss the Partnership would record if its counterparties failed pursuant to terms of their obligations to the Partnership.

The Partnership is subject to the credit risk of its custodians, prime brokers and counterparties to the extent they may be unable to fulfill their obligations either to return the Partnership's securities or to repay amounts owed. Credit risk is measured by the loss the Partnership would record if its counter parties failed pursuant to terms of their obligations to the Partnership.

Bank Loans

The Partnership invests in loans originated by banks and other financial institutions. The loans invested in by the Partnership may include term loans and revolving loans, may pay interest at a fixed or floating rate and may be senior or subordinated and may be purchased in the form of assignments or participations in all or a portion of loans from third parties. Purchasers of bank loans are predominantly commercial banks, investment funds and investment banks. Based on activity in the bank loan market the Partnership is exposed to liquidity risk as well as the risk of the borrower.

High Yield Debt

The Partnership invests in high yield debt whose rating is typically below investment-grade by one or more nationally recognized statistical rating organizations or is unrated but of comparable credit quality to

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obligations rated below investment-grade, and has greater credit and liquidity risk than more highly rated debt obligations. As a result, the Partnership is exposed to liquidity risk and the risk of the obligor.

6. Interest Rate Hedging Transactions

The Partnership enters into interest rate hedging transactions to partially bridge its fixed and floating rate assets and liabilities, reducing its interest rate exposure. The Partnership does not hold these instruments for trading purposes.

As of December 31, 2008, the Partnership held one interest rate swap contract. The interest rate swap contract had a notional amount of \$25 million and was terminated on May 14, 2009. The interest rate swap contract resets quarterly and requires the Partnership to pay a fixed rate 5.494%, and receive 3-month LIBOR. Net interest paid or received is included in realized gain on the Statement of Operations. The Partnership paid no premiums to enter into the interest rate swap contract. For the years ended December 31, 2009 and 2008, the Partnership incurred realized loss of \$2,325,471 and \$537,244, respectively, and received cash of \$224,649 and made cash payments of \$485,786, respectively. As of December 31, 2008, the fair value of this swap contract was \$0. The partnership owes \$2,617,911 to the counterparty related to the termination of the swap which is included in the interest rate swap payable on the Statements of Net Assets.

7. Senior Facility

The Partnership entered into an amended and restated Credit Agreement dated May 23, 2005 (the "Senior Facility"). The aggregate line of credit provided by the Senior Facility is \$250 million. A commitment fee of 0.25% is payable for any unused portion of the total commitment. The scheduled termination date of the Senior Facility was September 30, 2009, but the maturity date may be extended, with the agreement of the Partnership and each extending lender, for up to one twelve month period. As of December 31, 2009 and 2008, the Partnership had borrowed \$0 and \$10,000,246, respectively, under the Senior Facility. The Senior Facility allows Eurodollar, Base Rate and Multi-currency loans and includes a Swingline facility. On October 8, 2008, the ability to draw unfunded amounts was terminated and the remaining funded balance was subsequently paid down in accordance with the Pledge and Intercreditor agreement.

Eurodollar loans can be drawn with three days notice for periods of one, two, three or six months and bear interest at the Eurodollar Rate (as defined in the Senior Facility) plus 0.39% per annum. As of December 31, 2009 and 2008, the Partnership had no Eurodollar loans outstanding.

Base rate loans can be drawn with one day's notice and bear interest at the higher of the federal funds effective rate plus 0.5% per annum, or the prime rate. As of December 31, 2009 and 2008, the Partnership had no Base Rate loans outstanding.

Multi-currency loans can be drawn with four days notice and bear interest at the Off-Shore Rate (as defined in the Senior Facility) plus 0.39% per annum. Multi-currency loans can be denominated in Pounds Sterling, Canadian Dollars, Euros or U.S. dollars. Multi-currency loans cannot exceed \$100 million at any time. As of December 31, 2009, the Partnership had no Multi-currency loans outstanding. As of December 31, 2008, the Partnership had \$10,000,246 of Multi-currency loans outstanding, which are denominated in Euros. The Euro balance consisted of one loan with an interest rate of 5.64% and a maturity date of January 15, 2009.

Swingline loans, which may be drawn down or paid back daily, bear interest at the federal funds rate plus 1.0% per annum. Swingline borrowings cannot exceed \$35 million at any time. As of December 31, 2009 and 2008, the Partnership had no swingline borrowings outstanding.

Interest incurred on the Senior Facility for the years ended December 31, 2009 and 2008 was \$113,898 and \$2,451,228, respectively. Cash paid for interest on the Senior Facility during the years ended December 31, 2009 and 2008 was \$142,809 and \$2,325,471, respectively.